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ABSTRACT

Separate reports on various aspects of rural development were presented in this committee report. A summation of accomplishments during 1971 and plans for the future were presented. Major topics covered in the reports included job development, revenue sharing, Federal spending in rural areas, current population trends, the improvement of management capabilities of small local governments, extension of higher education resources into rural areas, and changing governmental roles. Some problem areas were defined and discussed. These problem areas included rural outmigration, regional planning, agriculture, poverty, minority groups, housing, water and sewer systems, rural health, education, business and industrial development, transportation, rural credit, land use, and natural resources. A list of other publications by the Subcommittee on Rural Development is appended. (PS)

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RURAL DEVELOPMENT

1971—A YEAR OF LISTENING AND WATCHING THE DEVELOPMENT OF THE GROWING CONSENSUS THAT SOMETHING MUST BE DONE FOR THE PEOPLE OF THE AMERICAN COUNTRYSIDE

MAY 31, 1972

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CONTENTS

Page
Foreword v
Voices for Rural America 1
Bringing it All Together, Title IX of the Agricultural Act of 1970 5
Honor Roll, A letter from Senator Herman E. Talmadge, Chairman of the Senate Committee on Agriculture and Forestry 7
A Year's Work and the Year Ahead, A letter from Senator Hubert H. Humphrey, Chairman of the Subcommittee on Rural Development 9
Summing Up, A letter from Senator Jack Miller, Ranking Minority Member, Committee on Agriculture and Forestry 15
First Priorities: Increased Farm Income and Job Development, A letter from Senator Carl E. Curtis, Ranking Minority Member, Subcommittee on Rural Development 17
Presidential Messages: On Special Revenue Sharing for Rural Community Development, and on Credit Sharing 19
The Need for Rural Development, from the committee report on the Rural Development Act of 1972 39
What is Rural Development? by John A. Baker 47
Federal Spending in Rural Areas, From the Farm Index and the Office of Management and the Budget 119
Some Current Population Trends, by Dr. Conrad Taeuber, Bureau of the Census 131
Rural and Nonrural Population 134
Nonmetropolitan Population Change, 1960–1970, By Richard Irwin, Bureau of the Census
Problem Areas in Rural America, as defined in field hearings in seven States 147
- How Rural Americans Perceive Federal Government Efforts to Aid Rural Areas 148
- National Growth Policy and Rural Outmigration 171
- Regional Planning Below the Federal Level 197
- Crises in American Agriculture 219
- Repository of Half of the Nation's Poverty 236
- American Indians, Eskimos and Aleuts 244
- Two-Thirds of Our Substandard Housing is in Rural America 249
- Water and Sewer System Needs 257
- Rural Health: Our Town Needs a Doctor 263
- Education for a Changing World of Work 281
- Business and Industrial Development 293
- Transportation: The Milk Train Doesn't Stop Here Anymore 302
- Rural Credit Needs 334
- Land Use, Natural Resources and Other Factors 358
- TVA: A Rural Developer Since 1933 371

The New Rural Society by Dr. Peter Goldmark 381
Improving the Management Capabilities of Small Local Governments, by Sandra S. Osbourn 387
Proposals for Extending Higher Education Resources into the Countryside 399
- Small Colleges and Universities, by Dr. Edward Henry 399
- The Large University, by Dr. D. B. Varner 403
- The Black University, by Dr. Luther K. Foster 406

Three Governors Approach Rural Needs 409
- Governor William L. Guy of North Dakota 409
- Governor Richard B. Ogilvie of Illinois 113
- Governor George C. Wallace of Alabama 418

Transportation Problems of the Older American in Rural Areas, by Ira Kay 429

South Dakota and What Needs To Be Done, by Duane Acker, Dean, College of Agriculture and Biological Sciences, South Dakota State University 447

Changing Governmental Roles, by William S. Bonner, Member. Board of Governors, American Institute of Planners 451

The Rural Electric Cooperatives Look at Rural Development, by William E. Murray 457

A Businessman's Vantage Point, by Wesley W. Watkins, Vice President, Perdue Industries 463

The Boley, Oklahoma Story, by Maurice Lee, President, Leefac Manufacturing Company 469

Congressional Oversight and Agency Response 475

Other Subcommittee Publications 507

FOREWORD

In the 1970 farm bill, Congress said in Title IX, "The Congress commits itself to a sound balance between rural and urban America. The Congress considers this balance so essential to the peace, prosperity and welfare of all our citizens that the highest priority must be given to the revitalization and development of rural areas."

The reasons that the Congress passed this legislation are clear. For the past thirty years—except for the years 1945–50—the average outmigration of the farm population from rural America has been five percent or more. In the 1950's the number of people leaving the farm was about one million people a year. That number was reduced to about 600,000 a year during the 1960's because of the greatly reduced farm population base.

Moreover 500 counties had a natural decrease in population between 1960 and 1970; that is, more persons died than were born in those areas. This factor usually reflects difficulties by the people living in those counties in finding new sources of employment or in making adequate wages at jobs that are available.

In 1970, the unemployment rate in agricultural work was 7.5 percent compared with a national rate of 5.2 percent in other occupations. In 1968 the per capita income in metropolitan areas was $3,811 a year compared with $2,614 a year for people living in places of under 50,000 population. In the farm population the per capita income received from farming was only $1,503 per year, which meant that many farm people had to operate their farms and find still additional work in nearby towns. Nearly as much income for farm families was generated by this off-the-farm work ($1,369 per capita) as was earned by farming.

Because of generally lower income, the amount of money that rural people were able to spend for government services like police and fire protection, medical services, education, roads, sanitation and public welfare was lower than that spent in metropolitan areas.

In metropolitan areas in 1967–68, the citizens spent more than $600 per pupil across the nation, whereas in the non-metropolitan areas, the expenditures per pupil were more than $100 less for the school year. This disparity grows even larger when it is considered that many rural school systems spend large sums to bus rural children long distances to consolidated schools.

Clearly there is an imbalance between job opportunities and community facilities—an imbalance in the whole quality of life—between rural and urban America. This imbalance in the richness of life has been a major factor in the imbalance of the American population, with 70 percent of the people living on less than two percent of the land.

This imbalance has overloaded the larger urban systems to the breaking point, and has created a national urban crisis for which no ready remedies have been discovered. It has created mile after mile of indefineable suburban communities whose relatively affluent residents are only beginning to realize the costs of the new community facilities which they are demanding as they watch urban slums join the march to the suburbs.

Meanwhile, rural communities have been ignored and largely forgotten.

An increasing number of renowned Americans have called for a National Growth Policy to bring some order to the growth that this nation is experiencing. It is estimated that there will be an addition of 75 million additional Americans in the next thirty years. If present population migration trends continue, most of these new Americans will live along the sea coasts, the Gulf of Mexico, and along the Great Lakes, in metropolitan areas that are already overcrowded.

President Nixon's Commission on Population Growth and the American Future had this to say about the coming new Americans:

"The time has come to ask what level of population growth is good for the United States. There was a period when rapid growth made better sense as we sought to settle a continent and build a modern industrial nation. And there was a period, in the 1930s, when a low birth rate was cause for concern. But these are new times and we have to question old assumptions and make new choices based on what population growth means for the nation today. Despite the pervasive impact of population growth on every facet of American life, the United States has never developed a deliberate policy on the subject. There is a need today for the nation to consider population growth explicitly and to formulate policy for the future."

Obviously all of the members of the Subcommittee on Rural Development do not agree with all of the conclusions reached by all of the individuals having input into this report. However, the report hopes to represent the broad flow of thought in the maintenance of the rural development effort.

VOICES FOR RURAL AMERICA

* * * The problem of country life is one of reconstruction, and * * * temporary measures and defense work alone will not solve it. The underlying problem is to develop and maintain on our farms a civilization in full harmony with the best American ideals. To build up and retain this civilization means, first of all, that the business of agriculture must be made to yield a reasonable return to those who follow it intelligently; and life on the farm must be made permanently satisfying to intelligent, progressive people. The work before us, therefore, is nothing more or less than the gradual rebuilding of a new agriculture and new rural life.—Report of the Commission on Rural Life, 1909.

* * * That is what we are for * * * a program to revitalize rural America, to see that the counties of America that are emptying out of people and promise, then attract by reason of the fact that they offer those job opportunities to the people that would like to live there if they had the chance. That is why in the future in this administration as we locate airports, as we locate defense installations, as we locate government buildings, as we do the planning that could have effect on development in this country, rather than concentrating it more and more in great cities which are already too overcrowded, we say go into rural America and build it up and that is, I think, a program that you in this great state will appreciate.—Excerpt from President Richard M. Nixon's remarks upon arrival at Grand Forks International Airport, Grand Forks, N.D. October 19, 1970.

* * * Each time Albuquerque has announced the location of a new industry the unemployment rate has gone up. Much of this increase is the result of rural residents seeking these new jobs in the city.—Governor Bruce King of New Mexico.

* * * It is an oversimplification to say that $3 wheat and $2 corn will solve all the economic and social problems of state and nation. It is no exaggeration, however, to say that continuing deterioration in the farm cost-price relationship casts reflection on the city council meetings of every metropolitan area of the nation. . . . Farm production expenses have climbed 154 percent since 1947 while farm gross income was advancing 66 percent in the same period, creating a 1.3 percent drop in farm net income, while nonfarm groups were sharing substantially in the nation's economic growth. Farmers Union believes it to be self-evident that this nation must develop a land use and population distribution policy and soon.—Elton L. Berck, President, Nebraska Farmers Union.

* * * In our opinion, nothing short of a massive nationwide effort can halt the decline of rural America and the resultant migration from the countryside of the cities. While a number of Federal programs have been established with the objective of revitalizing rural communities, the overall thrust in rural development so far has been characterized by insufficient funding in comparison to the needs and by a considerable amount of overlap, fragmentation and lack of coordination because of the multiplication of agencies dealing with rural development.—Robert D. Partridge, General Manager, National Rural Electric Cooperative Association.

* * * The solution to the rural problem is not more people on the farm, since there is no livelihood for them there. It is rather to keep the small towns, those from 1,000 to 30,000, alive and growing. It means creating in these areas the types of health care, education, cultural advantages, jobs, services, living standards, etc. that are available in metropolitan areas. People now leave the rural areas in order to have these things. Only the infusion of substantial sums of money, both public and private, can provide these essential ammenities of life that Americans demand today.

Industry will not locate where there are not adequate services; commercial enterprises cannot survive without customers; hospitals without doctors; theaters without patrons.—Governor Bruce King of New Mexico.

* * * You hear a lot of talk these days about new cities or growth centers that will have to be built to handle the additional 100 million people we expect to have in this country in the next 30 years. I would submit to you that those growth centers already exist in rural America. If the farm population losses in the past several years are subtracted from the total nonmetropolitan population, you find that the nonfarm, nonmetro population rose by 19 percent during the sixties, despite population losses on the farms. Towns of 1,000 and more are growing. They are healthy. Apparently most of the towns of 1,000 and more that were going to die, have done it. Many of the others are hanging by a thread, but clearly, natural economic forces are keeping them viable. Your legislation seems to recognize that these small towns are well worth saving from the standpoint of their being able to accept some of the nation's future growth, and I applaud this. Although I am glad to see experimental new cities like Columbia and Reston try new ideas in urban development, I think that when we begin talking about growth for the future, we should first look at the community infrastructures that already exist.—Former Mayor Ivan Allen Jr. of Atlanta.

* * * If a balanced growth policy for rural America becomes national policy the Federal Government should set an example for private industry by decentralizing its own offices and facilities. There is no justification for Federal offices being

concentrated in large Federal buildings in the biggest cities of the country. The Federal Government should adopt and implement a policy of locating its offices in smaller cities whenever possible. It is inconsistent for the Federal Government to encourage private industry to locate in smaller cities when it continues to concentrate its own offices in metropolitan areas.—ROBERT W. SHIVELY, Industrial Development Manager, Nebraska Public Power District, Columbia, Nebraska.

* * * Through a complete lack of any governmental policy we have permitted rural America to deteriorate like a rusting hand plow languishing in a fallen down barn, while the social and economic problems once scattered across the thousands of square miles of our great land have become compacted into urban ghettoes, where they have become more evident and more volatile.— Former Governor EDWARD BREATHITT of Kentucky.

* * * From the very beginnings of our history, the vitality of rural America has been at the heart of our nation's strength. It is essential that we preserve and expand that vitality in the years ahead. For America will not be able to look eagerly to the future with a sense of promise and hope unless those who live in its rural areas are able to share in this vision.—Excerpt from a Message from the President of the United States transmitting proposals for a program of rural development, February 1, 1972.

BRINGING IT ALL TOGETHER: A GROWING CONSENSUS

[From the Agricultural Act of 1970]

TITLE IX—RURAL DEVELOPMENT

COMMITMENT OF CONGRESS

SEC. 901. (a) The Congress commits itself to a sound balance between rural and urban America. The Congress considers this balance so essential to the peace, prosperity, and welfare of all our citizens that the highest priority must be given to the revitalization and development of rural areas.

LOCATION OF FEDERAL FACILITIES

(b) Congress hereby directs the heads of all executive departments and agencies of the Government to establish and maintain, insofar as practicable, departmental policies and procedures with respect to the location of new offices and other facilities in areas or communities of lower population density in preference to areas or communities of high population densities. The President is hereby requested to submit to the Congress not later than September 1 of each fiscal year a report reflecting the efforts during the immediately preceding fiscal year of all executive departments and agencies in carrying out the provisions of this section, citing the location of all new facilities, and including a statement covering the basic reasons for the selection of all new locations.

PLANNING ASSISTANCE

(c) The Secretary of the Department of Housing and Urban Development and the Secretary of Agriculture shall submit to the Congress a joint progress report as to their efforts during the immediately preceding fiscal year to provide assistance to States planning for the development of rural multicounty areas not included in economically depressed areas under authority of the Housing and Urban Development Act of 1968. The first such annual report shall be submitted not later than December 1, 1970, and shall cover the period beginning August 1, 1968, the date of enactment of the Housing and Urban Development Act of 1968, and ending June 30, 1970.

INFORMATION AND TECHNICAL ASSISTANCE

(d) The Secretary of Agriculture shall submit to the Congress a report not later than September 1 of each fiscal year reflecting the efforts of the Department of Agriculture to provide information and technical assistance to small communities and less populated areas in regard to rural development during the immediately preceding fiscal year. The first such annual report shall be submitted not later than

December 1, 1970, covering the period beginning July 1, 1969, and ending June 30, 1970. The Secretary shall include in such reports to what extent technical assistance has been provided through land-grant colleges and universities, through the Extension Service, and other programs of the Department of Agriculture.

GOVERNMENT SERVICES

(e) The President shall submit to the Congress a report not later than September 1 of each fiscal year stating the availability of telephone, electrical, water, sewer, medical, educational, and other government or government assisted services to rural areas and outlining efforts of the executive branch to improve these services during the immediately preceding fiscal year. The President is requested to submit the first such annual report, covering the fiscal year ending June 30, 1970, on or before December 1, 1970.

FINANCIAL ASSISTANCE

(f) The President shall report to Congress on the possible utilization of the Farm Credit Administration and agencies in the Department of Agriculture to fulfill rural financial assistance requirements not filled by other agencies. The President is requested to submit the report requested by this section on or before July 1, 1971, together with such recommendations for legislation as he deems appropriate.

Approved November 30, 1970.

Legislative History:

House Reports: No. 91–1329 (Comm. on Agriculture) and No. 91–1594 (Comm. of Conference).

Senate Report No. 91–1154 (Comm. on Agriculture and Forestry).

Congressional Record, Vol. 116 (1970): Aug. 5, considered and passed Senate, amended; Oct. 13, House agreed to conference report; Nov. 19, Senate agreed to conference report.

HONOR ROLL

When Senator Robert Dole of Kansas and I first introduced Title IX of the Agricultural Act of 1970, we had a notion, for a brief time, that we had broken new ground for the benefit of rural America and toward a balanced growth for both urban and rural America.

We shortly learned, however, that our efforts were merely a part of an endeavor that has been going on since the turn of the century through the efforts of many dedicated people. I believe that this first annual report of the Subcommittee on Rural Development should pay tribute to these men for their often lonely efforts through the years.

President Franklin D. Roosevelt.
President Dwight D. Eisenhower.
President John F. Kennedy.
Secretary of Agriculture Charles F. Brannan.
Secretary of Agriculture Orville E. Freeman.
Undersecretary of Agriculture True D. Morse.
Senator John H. Bankhead of Alabama.
Senator John Sparkman of Alabama.
Senator Allen Ellender of Louisiana.
Senator George D. Aiken of Vermont.
Senator Milton Young of North Dakota.
Senator Richard B. Russell of Georgia.
Senator George Norris of Nebraska.
Congressman Marvin Jones of Texas.
Congressman Harold Cooley of North Carolina.
Congressman W. R. Poage of Texas.
Congressman Clifford Hope of Kansas.
Congressman Jamie L. Whitten of Mississippi.
Governor Edward T. Breathitt of Kentucky.
Dr. Will W. Alexander.
Monsignor Luigi Ligutti.
And many others, but not enough.

When I became Chairman of the Committee on Agriculture and Forestry at the beginning of the 92nd Congress, I formed a new Subcommittee on Rural Development, and named Senator Hubert H. Humphrey chairman. Senator Humphrey had for many years been an exponent of a new life for the countryside, and in his first year as chairman, he has done a commendable job of listening to what the people who live in rural America perceive to be their problems.

I am particularly pleased at the bi-partisan nature of this rural development effort.

During this year, many persons have begun to understand that the massive migration of Americans from rural places to urban ones is undesirable; and somehow there has been a unique coming together of many forces that would seem to insure that 1972 will be the year that major legislation is enacted to ensure that country people are able to enjoy the same high standards of life and work that have become commonplace in our nation's suburbs.

President Nixon has put special emphasis on the need for rural renewal. Congressman W. R. Poage's House Agriculture Committee has already shepherded a significant bill through the House with little opposition. The Senate has passed without a dissenting vote a major bill reported by the Committee on Agriculture and Forestry which includes provisions from a major bill by Senator Humphrey and myself and measures from the Administration, Senator George D. Aiken of Vermont, Senator James B. Allen of Alabama, Senator Jack Miller of Iowa, Senator Carl T. Curtis of Nebraska, Senator James B. Pearson of Kansas, as well as Senator Dole.

In the Senate Government Operations Committee, Senator John McClellan of Arkansas is working on another worthwhile bill, which I was proud to co-sponsor.

All of these initiatives are meaningful, and are part of what I believe to be a new consensus that many of the problems of our major cities can be remedied by improving the quality of life for the people of the countryside so that rural outmigration can become a thing of the past.

We now have the momentum to accomplish great things. We dare not fail.

I am, therefore, having this report of the work of the Subcommittee on Rural Development reproduced as a Committee Print for use of the Committee on Agriculture and Forestry.

Senator Herman E. Talmadge,
Chairman, Committee on Agriculture and Forestry.

A YEAR'S WORK, AND THE YEAR AHEAD

I am pleased at this time to submit to the U.S. Senate a report of my stewardship of the Senate Subcommittee on Rural Development in its first year of operation.

Although our subcommittee is new, its concept is not. Efforts toward providing a better life for the people of rural America began formally in 1909 with the report of the Countrylife Commission, but its major thrust was largely obscured by events leading up to World War I, as later wars were to divert national attention from rural development to food production.

However, individual efforts were made that kept the concept of rural renewal alive: There was President Franklin D. Roosevelt's Commission on Farm Tenancy; adoption of the Bankhead-Jones farm tenancy Act; Farm Security Administration; the Tennessee Valley Authority; and the founding of the Rural Electric Cooperatives.

A milestone in the extension of the rural development concept took place in 1949 when Senator John Sparkman of Alabama initiated a continuing series of hearings on the "Disadvantaged in Rural Areas." These hearings contributed greatly to the enactment of the first rural housing program, which President John F. Kennedy was to expand later on.

In the mid-1950's, Senator Sparkman introduced a number of rural development bills under a variety of names. Combining forces with Senator Paul Douglas of Illinois, Senator Sparkman pushed an urban depressed areas redevelopment program through Congress, but it was vetoed by President Eisenhower, who opposed it because it included rural areas.

However, President Eisenhower independently proposed a rural development pilot program for 50 counties, under the leadership of Undersecretary of Agriculture True D. Morse and the Cooperative Extension Service. This small beginning was the first substantive thrust in the direction we are taking today.

In 1961, with the help and support of organized labor and farmer organizations the Area Redevelopment proposal, containing both rural and urban provisions, was adopted, and the Area Redevelopment Administration began operations.

Also in 1961, the rural development pilot program was expanded by executive order into a nationwide operation, involving all Executive Branch Departments. An office of Rural Areas Development was established in the Department of Agriculture, and a Rural Areas Development Board, consisting of all major administrators in the Department was assigned to leadership and coordinative roles. A nationwide network of Rural Area Development Citizens Committees was established under the leadership of the Cooperative Extension Service, and backstopped by newly established state and county technical assistance panels (TAP) made up of governmental personnel—from all levels and all agencies outside as well as inside USDA.

Another development of the 1960s was the monumental report of the President's Commission on Rural Poverty, headed by Governor Edward Breathitt of Kentucky. The commission's recommendations placed heavy emphasis upon coordinated, planned, community development as the long-range solution to eliminating the causes of rural poverty.

The first major and successful legislative step toward modern rural development, which applied to all rural areas, was taken in 1961 by Senator Allen J. Ellender of Louisiana, Chairman of the Senate Committee on Agriculture and Forestry. Senator Ellender's Consolidated Farmers Home Administration Act was made a part of the 1961 farm bill.

Under Senator Ellender's leadership Rural Community Development District bills were introduced and passed by the Senate in 1966 and 1967.

A watered-down version of these proposals was adopted in 1968 as part of the Housing and Urban Development Act. The legislation provided for the first time for general purpose planning grants for areawide, multi-jurisdictional districts, applicable to all rural areas.

These pioneering actions by Senator Ellender provided the impetus that led to the adoption in 1970 of Title IX of the Agricultural Act, which established national priorities for renewing the countryside.

In 1969, President Nixon appointed a Task Force on Rural Development to restudy the problem, and among other significant recommendations, called for the establishment of a rural development credit bank to make funds available to private industry and public bodies to carry out rural development projects. Senator James Pearson of Kansas later introduced this proposal as legislation.

The first year of operation for the Subcommittee on Rural Development has been taken up with four key activities. First, we traveled to Iowa, Nebraska, South Dakota, Oklahoma, Alabama, Georgia and Ohio in an attempt to listen to what rural people perceived their problems to be.

Secondly, hearings were held, and an extensive record was established on President Nixon's proposal for special Revenue Sharing for Rural Community Development.

Third, extensive hearings were also held on a bill by Senator Herman E. Talmadge and myself to expand considerably the availability of credit for community development, and rural economic development.

Finally, through a series of letters to the Executive Departments, the Subcommittee involved itself deeply in the business of legislative oversight, in attempt to find out what Federal agencies were doing for small town America, and whether these things were effective.

The first three of these four items are covered extensively in six hearing volumes published by the subcommittee. Response from the Executive agencies to the oversight inquiries was spotty. For instance, it is clear that the Department of Health Education and Welfare is making a concerted effort to rethink its performance in rural areas. Responses from some other agencies indicates a lesser commitment, and a few had clearly never thought about rural needs until the Subcommittee posed its questions.

This lack of policy in some Federal departments is reflected in the outlays of Federal tax dollars through various programs. The people who live in metropolitan areas received, per capita, a 17 percent greater share of government services in terms of dollars spent.

This report will attempt to summarize in some detail the message we received in our first year of operation. Special emphasis will be put on the advice we received from the people who live in the countryside.

It is traditional for a committee such as ours to submit a brief report to the Rules Committee, which is often forgotten. However, one of the first things we learned about rural development was that very little research had been done on the subject, yet extensive interest in the subject is evident.

It is the purpose of this document to present some of the major conclusions reached by the hundreds of people with whom we talked, and to bring together some of the more meaningful research in the field, so that others may build upon the base established in this first year of work.

We have had inputs from everyone from individual farmers to governors of the states; from foreign governments to cabinet members. (It is our plan to print a digest of the rural renewal efforts of other nations).

Hopefully, the complete list of publications by this subcommittee can be used by government leaders at all levels to give some direction to our burgeoning and undirected national growth.

As to the future direction and work of the Subcommittee on Rural Development, we will continue to concentrate our efforts on completing action on the various major rural development legislative proposals now pending before the full Committee.

Included among those proposals are S. 1612, the Administration's Special Rural Community Development Revenue Sharing proposal; a substitute Rural Revenue Sharing proposal introduced by Senator James Allen; S. 2223, the bill Senator Talmadge and I introduced to establish a new financial and credit system for rural development purposes; S. 2800, a rural development credit proposal introduced by Senator Dole; S. 2981, amendments to the Watershed and Flood Prevention Act and to the Bankhead Jones Farm Tenant Act sponsored by Senator Aiken; Administration amendments offered by Senator Miller embodying the Administration "credit-sharing" proposal and other provisions similar to those contained in other bills cited above; an amendment to be offered by Senator Carl Curtis providing for a program of research and education concerning rural development to be carried out under the general direction of Land Grant Colleges, but involving both public and private institutions, including technical institutes; and, the House passed bill H.R. 12931, which provides for an expanded program of credit through the Farmers Home Administration for rural development purposes.

By the time this report is distributed and reviewed by those interested in rural development and the work of our Subcommittee, the President will have signed a significant rural development bill. That bill will hopefully give Rural America the new lease on life it both deserves and requires. But enactment of this bill is merely a beginning—not an end—to our efforts to improve the quality of life in Rural America.

General activities the Subcommittee expects to undertake this year will include:

(1) Continuation of its investigations and studies required to prepare additional rural development legislation.

(2) Continuation of its oversight functions as it relates to the execution and administration of laws, programs and activities affecting rural development by the Executive Branch,

(3) Initiation of efforts to work closely with other Committees of the Senate to insure that the interests and concerns of farm families and residents of rural communities are fully understood and considered in the legislative deliberations of those committees,

(4) Continuation of the working relationships it has established with the many organizations, institutions, and groups that represent or are interested in legislation affecting rural residents, and

(5) Continuation of its efforts to develop a better understanding of the economic, social, environmental and other component parts of the rural development process itself so that both current and future rural development programs can be improved and directed more toward achievement of their legislative goals.

In addition to these more general activities, the Subcommittee also expects to undertake several specific projects and legislative inquiries this year. They will include, but will not be limited to:

(1) Hearings on job and industrial development in rural areas and legislation related thereto,

(2) Studies and/or hearings on rural land use, zoning and tax policy relating thereto,

(3) Studies and hearings on metropolitan, multijurisdictional planning and development districts, their organization, funding, operation and progress,

(4) Hearings on Executive Branch report requirements under Title IX of the Agriculture Act of 1970,

(5) Hearings on rural transportation needs and problems,

(6) Completion of study on what other nations of the world have done, or are doing, to improve their rural regions and to achieve a balanced growth.

(7) Completion of a study on Alma, Georgia, a small town revitalizing itself with the help of the Model Cities Program. It is anticipated that this study will help the Subcommittee to devise a comprehensive small community federal assistance program which would address itself to all of a community's individual needs simultaneously, rather than the piecemeal approach that is now followed in most all communities, big and small.

(8) Investigations into the use and application of modern communication technology in enhancing both the social services and the operation of private enterprise in smaller communities. Dr. Peter Goldmark, former president of CBS Laboratories, Inc., has agreed to act as a consultant to the Subcommittee concerning these

matters and it is likely that new legislation could result from these inquiries and studies, and

(9) Oversight hearings relating to the operation and administration of several rural development programs and operations administered by the United States Department of Agriculture and other Agencies and Departments of the Executive Branch. The specific programs which will be involved in this year's oversight hearing schedule will be determined later based upon staff investigations and studies.

(10) Exploration of such every day community facilities as libraries and community centers that city and suburban America take for granted are often lacking in rural areas.

We are beginning to understand that the future may not be very nice to us if we do not begin to plan now for a more balanced national economic, and social growth; if we do not begin to plan now for more prudent use of our human and natural resources.

In this sense, rural revelopment is a matter of immediate national concern. Fortunately, the growing national awareness of these facts is apt to save us considerable grief in a future that need not be grim.

Senator HUBERT H. HUMPHREY,
Chairman,
Subcommittee on Rural Development.

SUMMING-UP

One need but look at the table of contents of this report to appreciate the depth and breadth of activities of the Senate Subcommittee on Rural Development and the active interest of countless others with respect to the subject of rural development during the past year.

Because of the completeness of this report, the task of "summing up" is a difficult one. I join with Chairman Talmadge in the hope that 1972 "will be the year that major legislation is enacted to insure that country people are able to enjoy the same high standards of life and work that have become commonplace in our nation's suburbs."

It is my contention that the time is overdue for rural America to receive its share of attention from the Federal Government. The agricultural revolution, which has given our consumers the lowest cost, highest quality food and fiber in the world, has not been accompanied by corresponding benefits to producers themselves.

Many of us have watched with alarm the exodus of hundreds of thousands of people from rural America into the cities, seeking jobs and opportunities for themselves and their families. Today it is common knowledge in the Congrses that a relationship exists between the problems of our farm communities and the problems of our cities, but it is still difficult to bring this home to the urban masses so that they will understand that they have a vital stake in rural development.

Developing rural America so that it will have a dynamic economy and society is probably the greatest domestic challenge this Nation faces in the latter part of the 20th Century. Of course, such development must be correlated with programs to relieve urban problems, and the end result of a well-balanced distribution of our population and resources should be the overriding consideration.

It is essential that we meet this challenge if our society is to become a good society. There is no room for partisan political maneuvering or selfishness in this tremendous undertaking. We cannot afford anything but our best efforts.

The real strength of rural development will come from harnessing local initiatives and energies. Programs must issue from the people who know their own problems best, their own capabilities and limitations, and their own priorities. But they need help—just as those in the cities need help.

As President Nixon stated in his 1972 message to the Congress on rural development: "I believe that a major missing ingredient has been effective control of development programs at lower levels of government . . . Success stories that can be found in rural economic development have occurred because local officials and private leaders have entered into a public-spirited partnership and have taken the initiative. We must do all we can to encourage such partnerships."

Congress has declared that a sound balance between rural and urban America is essential to the peace, prosperity, and welfare of all our citizens.

We need to act promptly to achieve this balance so that more Americans—including the 75 million expected to arrive within the next quarter century—will have a place to live rather than exist.

Senator JACK MILLER,
Ranking Minority Member,
Committee on Agriculture and Forestry.

FIRST PRIORITIES: INCREASED FARM INCOME AND JOB DEVELOPMENT

In countless hours of testimony in Washington and in seven States the Subcommittee on Rural Development has heard the problems facing rural America and we have heard the question raised: "What is rural development?"

In my view, rural development can be rather easily defined. It is the creation of job-producing enterprises in rural America.

Since it no longer takes as many people to produce our food and fiber as it did just two or three decades ago, we need jobs for those who have been displaced from agriculture.

It is interesting to note some of the conclusions drawn from a study of high school students in one of our western states just a few years ago. Most of the students interviewed expected to leave the county because of the lack of job opportunities. The largest group which expected to remain were students who came from farm families and expected to farm themselves.

The majority of students, who are ambitious for further education and occupational mobility, are planning to leave the county. Thus the county seems to be faced not only with an exodus of the younger portion of the population, but especially with the emigration of those who would offer the community leadership in the future.

The critical point in this study was that the lack of occupational opportunities or the students perception that there was a lack of job opportunities, was the prime reason for intended emigration.

It may be necessary to provide new and expanded and different types of credit to help spur rural economic development, and the job opportunities which follow such development.

Overall, I view rural America today not as a decaying, backward place that needs to be rescued by the Nation; I view it as the land of opportunity, the best place for people to live. Our aim, among other things, should be to take such action as will give an economic nudge for industry to move there and for local people to get into the act.

There is one program that has brought countless industries into all parts of the country. I refer to the use of tax-free industrial bonds. My efforts to increase the amount of these bonds that can be issued by each governmental unit shall be unceasing. This provides credit on the local level without assistance from the Federal Government and it also assures local leadership.

I want to make it clear that under no circumstances should rural development be considered as something in lieu of, or as a substitute for, additional farm income. We should strive for both increased farm income and rural development. Every dollar's worth of farm crops sold generates several dollars of economic activity. Therefore, there is little doubt of the role agriculture plays in rural development.

There are people who have said, and pundits who have written, that agriculture and rural America are dead. I believe the activities of this Subcommittee and the Committee on Agriculture and Forestry prove there is enough life left to attract the attention of several U.S. Senators.

In my opinion, the people of rural America will refuse to lie down and play dead and I know this Subcommittee will be doing everything possible to help them breathe new life into the countryside.

Senator CARL T. CURTIS,
Ranking Minority Member,
Subcommittee on Rural Development.

PRESIDENTIAL MESSAGES

REVENUE SHARING—COMMUNITY DEVELOPMENT, ETC.

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

PROPOSING A SYSTEM OF SPECIAL REVENUE SHARING FOR RURAL COMMUNITY DEVELOPMENT

MARCH 10, 1971.—Referred to the Committee of the Whole House on the State of the Union and ordered to be printed

To the Congress of the United States:

I am today proposing a new program of Rural Community Development through revenue sharing—the fourth of my six Special Revenue Sharing proposals. I have spoken of revenue sharing as a new partnersip between the Federal Government and the State and local governments within our Federal system. The proposal I am advancing today would use that essential government partnership to strengthen an equally essential social and economic partnership between rural America, where the farms that feed us and the great open spaces that renew our spirit are found, and urban America, where the majority of our people and the greater share of our wealth are concentrated. Rural Americans deserve a full share in the Nation's prosperity and growth, just as urban Americans deserve cities that are livable and alive. Both objectives are attainable—and rural development revenue sharing, linked to urban development revenue sharing by the comprehensive planning proposal also put forward in this message, could be a giant step toward them.

RURAL AMERICA IN TRANSITION

Rural America begins with farm America. Agriculture was America's first industry, and it remains one of the keystones of our national economy today. It has made Americans the best-fed people in history, and now exports produce of one-fourth of its acreage to help feed the world. American farmers have led all sectors of the economy in annual increases in productivity for most of the years in this century. This Nation's farms are among our most efficient producers, and they are of central importance to a strong future for rural America.

Yet, there is sharp irony in this success. Ever more fruitful, American agriculture has required fewer people every year to produce food and fibers for our people, and to supply the expanding export market for our commodities abroad.

Hence the departure of people from the farms began to swell as farming grew more mechanized, efficient, and large-scale. Americans living on farms numbered more than 30,000,000 in 1940; today that figure is only about 10,000,000. Once the farm people had left their homes—often the homes of generations in their families—the opportunities often did not exist in rural America to keep them close to those roots. While some jobs jobs began to open in agricultural service, supply, and processing enterprises, usually known as "agri-business," the number of openings was not nearly enough to match the number of people cast adrift by technological progress.

Migration began toward where people thought opportunities existed—the cities. Not only were there more jobs in the cities, but they paid more. For most decades in this century, the gap between median income in the cities and that in non-metropolitan areas has been wide. Even though income gains outside the metropolis have been almost half again as great as those in the cities during the last decade, medium family income in nonmetropolitan areas is still 22 percent below that in metropolitan areas.

While the people who have been leaving rural America by the millions have often improved their own and their families' situations by leaving, the trend they represent has had several disturbing effects.

First, in rural America itself, the loss in human resources has compounded the problems of diversifying the economy and fostering a vigorous and progressive community life. Those who have chosen to stay have found it harder and harder to pay for and provide services such as good schools, health facilities, transportation systems, and other infrastructure attractive enough to keep people *in* rural America, or to lure jobs and opportunity *to* rural America. Many of the small towns which dot the countryside have to struggle for existence; they often have difficulty attracting good school teachers or physicians; many fight stagnation while most of the economy is expanding; they cannot give the older, the disadvantaged, the less educated people needed assistance and care.

THE URBAN STAKE IN RURAL DEVELOPMENT

At the same time the urban effects of migration have been profound. While the explosive growth in the proportion of americans living in cities that has not been fed solely by the influx of people from rural America—immigration from other countries has also been massive—the millions who have moved from the South and the Midwest to the North and the West have been a major factor in making a nation that was 75 percent rural a century ago, 73 percent urban today.

Many of these people pouring into the cities in search of opportunity have experienced difficulties in adapting to urban life and have required supportive services. Some made the transition successfully—but others have remained tax users rather than taxpayers.

Furthermore, the very size and density of many of our largest cities has produced new problems: whereas in the most rural areas it is hard to achieve economies of scale in public activities, the most heavily urban areas have grown far past the size range in which a community can function most economically. It often costs far more per capita to provide essential services, such as police protection, sanitation collection, and public transportation in our dense urban areas than in less congested smaller and medium-sized cities. Many of our cities have, in short, become inefficient and less and less governable. At times, this has led to near-paralysis of public services in our largest cities. Current trends indicate that unless there is a marked shift in public and private attitudes, the increase of population in and around our great metropolitan centers will continue, and the problems of urban management will be further aggravated.

In addition, by even conservative estimates, there will be some 75 million additional Americans by the end of the twentieth century. Whether this growth is beneficial or burdensome depends on our foresight in planning and preparing for it—a process that must begin now and must take a broader view than merely feeding the expansion of the megalopolis.

As never before, the Nation is beginning to see that urban America has a vital stake in the well-being and progress of rural America. This is one Nation, and for the good of all Americans we need one national policy of balanced growth.

FEDERAL RESOURCES FOR RURAL DEVELOPMENT

For the sake of balanced growth, therefore, but even more for the sake of the farmer and all his neighbors in rural America—first-class citizens who deserve to live in first-class communities—I am proposing that the Federal Government *re-think* America's rural development needs and *rededicate* itself to providing the resources and the creative leadership those needs demand.

It takes many different kinds of activities to create rural development—to create opportunity. One must start with the individual—his education, his skill training, and his health. Next the individual needs to be linked to resources and markets through transportation. Public sector infrastructure such as water and sewers is needed to encourage industry to locate in new areas. The environment is also becoming an increasingly important factor in industrial locations.

Essentially what I am proposing is to unite the funding for a number of programs operating directly in rural areas and smaller cities into a Rural Community Development Revenue Sharing Program, to add $179 million to that fund, and then to bolster this effort with new initiatives in critically related areas, such as health and welfare reform.

The following chart shows the programs which I propose to combine into the Rural Development Revenue Sharing Program:

PROGRAMS COMBINED UNDER RURAL DEVELOPMENT REVENUE SHARING

General:
- New Money $179 Million.
- Title V Regional Commissions.
- Appalachian Regional Commission.
- Economic Development Administration.
- Resource Conservation and Development Program.

Education: Cooperative Agricultural Extension Service.
Water and sewer: Rural Water and Waste Grants.
Environment:
    Rural Environmental Assistance Program.
    Forestry Assistance Grants.
    Great Plains Agricultural Conservation Program.
    Water Bank Program.
    Tree Planting Grants.

Although, the eleven programs listed above are spending $921 million in Fiscal 1971.

But much more is needed to extend to rural Americans the full share of national prosperity and the full participation in the rich benefits of our society, which they rightly deserve. Much more would be done if the Congress acts to set in motion the broad strategy for accelerated rural development which I have placed before it in recent weeks.

Rural communities throughout the nation would share in the $5 billion of General Revenue Sharing which I have proposed. Rural communities would receive direct assistance in building their human resources, their social services, and their economic base through my Special Revenue sharing proposals for manpower, education, transportation and law enforcement. My proposals for improving our system of health care include Area Health Education Centers to be located in rural areas and financial incentives for doctors and providing medical care in scarcity areas. My welfare reform proposals would have immediate and dramatic effects on rural poverty; in the first year nearly $1 billion in new cash benefits would go into rural areas to add to the incomes of the millions of rural Americans who are poor or underemployed.

To unify and consolidate the rural development effort in each State—I am today proposing that the Federal Government establish a $1.1 billion fund to be shared among all the States for fully discretionary spending to meet their rural needs and accelerate their rural development. This would be accomplished by combining programs which I listed above into a new program of Special Revenue Sharing for Rural Community Development, and by increasing their present annual funding of $921 million by $179 million during the first year.

HOW REVENUE SHARING WORKS

Beginning January 1, 1972, these funds would be paid out to the States and to Puerto Rico, the Virgin Islands, and Guam, in regular installments on a formula basis, according to an index of need based on three factors: the State's rural population, the State's rural per capita income compared to the national average of per capita incomes, and the State's change in rural population compared to the change in population of all States. All 53 recipients would share equally in 1 percent of the funds. Every State would receive at least as much from Special Revenue Sharing for Rural Community Development, as it now receives from the eleven existing rural assistance programs combined.

This proposal recognizes that patterns of development potential vary widely within the different States and seldom conform neatly in intra-State governmental jurisdictions. It therefore imposes no Federally dictated distribution of shared revenues within the States. Neither would it require matching or maintenance of effort spending by a State in return for the shared rural development funds. Indeed the shared funds could if necessary be used to match other Federal grants-in-aid for rural assistance, but there would be a firm requirement that all rural community development funds be spent for the direct benefit of rural people. The funds could be spent for any of the purposes now authorized under the existing aid programs, including the option of direct grant assistance to private firms which locate in rural communities.

Rural areas would be defined in this Act as counties with a population density less than 100 people per square mile, and all other counties, regardless of population density, which are not included in one of the 247 Standard Metropolitan Statistical Areas (SMSAs) which the U.S. Census Bureau defines around cities of 50,000 or more.

I will also propose $100 million in additional nonformula funds for the Urban Community Development Special Revenue Sharing program, to assist those smaller cities of population between 20,000 and 50,000 which have been receiving grant assistance from the Department of Housing and Urban Development but which would not now be eligible for a formula share of Urban Community Development Revenue Sharing. The Secretary of Housing and Urban Development would administer this fund on a discretionary basis. Such communities would thus be eligible for funds from both the urban and rural revenue sharing programs—as they should be, since many communities of the size have not only urban problems and needs but strong rural development potential as economic and social opportunity centers for nearby rural counties. The same overlap would be true as well of some of the smaller and less densely populated Standard Metropolitan Statistical Areas which have less than 100 people per square mile, and thus qualify for both formula grants under Urban Community Development Special Revenue Sharing, and use of funds from the Rural Community Development Special Revenue Sharing.

The Act would apply the requirements of Title VI of the Civil Rights Act of 1964 to prohibit discriminatory use of the Federal money.

BUILDING ON SUCCESS

Conversion of the existing categorical aid programs for agriculture and development into Special Revenue Sharing for Rural Community Development is a logical evolution in line with the history of these efforts consistent with their basic purposes.

Over a number of years the Department of Agriculture has been moving to make its assistance to farmers and rural residents more effective and flexible by a steady process of decentralization. Placing these programs fully in the hands of the States is just one more step in sharpening their ability to deliver the services they were designed to provide. Whether the transfer will be beneficial and the transition smooth is a question to which the example of the Cooperative Extension Service may provide a partial answer. The States are ready to take charge of the Extension Service, which they already largely administer and which all States now fund above the present Federal contribution.

In the case of EDA, the Appalachian Regional Commission and the Title V Commissions, revenue sharing in superseding them would actually incorporate the coordinated development approach that has made them successful, at the time it removed some of the Federal "fences" that may have restricted their activities unduly in the past. The grass roots planning process which has proved itself under the Appalachian Regional Commission is carried over into the statewide development plan I am now proposing for all States under rural and urban development revenue sharing. Close account would be taken of the human factor and of the continuity of ongoing development efforts as the program transition is effected. Counties that have launched projects under the Appalachian Regional Commission, for example, would continue to receive adequate funding to make good on the money already obligated for such projects.

With revenue sharing, therefore, as with all change, there would be adjustments to make but great benefits to be gained. Every single activity now carried on under the Commissions and categorical programs could be continued in any State whose own people decide it is worth continuing. The farm, forest, and conservation programs that have succeeded in the past could go right on doing so—and freed of Federal restrictions, they could probably reach out farther and keep better pace with changing needs and technologies. In each instance the people of the State would make the decision.

STREAMLINING THE RURAL ASSISTANCE EFFORT

What Special Revenue Sharing for Rural Community Development would do is to remove many of the negative and inhibiting side effects which now plague rural assistance as a result of categorical narrowness, lack of coordination, and excessive Federal involvement. By combining these programs we could produce a new whole significantly greater than the sum of the present parts. It is worthwhile here to discuss some of the problems that would be eliminated—principally inflexibility, priority distortion and flawed accountability.

Inflexibility—As well-intentioned as past rural development efforts have been, strict Federal eligibility rules have often stood in the way of fair sharing of all the Federal resources for rural development, or have made it difficult for States and localities to do what they must to attract industry and services. For instance, many parts of the Midwest, which experienced some of the heaviest rural outmigration in the Nation during the 1960's, still do not qualify for Economic Development Administration grants.

In other cases Federal standards have acted to bar aid from those communities in a region where it could do the most good. Experts in rural development feel that the most leverage is achieved by reinforcing healthy development trends, rather than fighting them—that is, by concentrating aid in these smaller and medium sized cities of a rural area which have shown strength and effort in attracting industry. Every area of rural America has such centers of potential growth. Using government assistance to strengthen their development trends could make the difference in attracting new job-producing industry and expanding employment opportunities for rural people living in the surrounding counties. It could also help these communities attract doctors, teachers and others whose services are so needed in or near rural areas. Yet current Federal program restrictions, by and large, do not permit aid to be used this way, because of "worst-first" criterion which often puts funds into areas that lack the development potential to help either themselves or others near them—rather than using funds to open up new opportunities regionally so that benefits flow out to low-potential areas nearby.

Distortion of State Budgets—Narrow Federal project definitions can force States and localities to spend scarce revenues on "matching shares," urgent community priorities aside, or risk the loss of Federal funds. Once begun, a Federal project may demand additional local spending, beyond the matching money, for support facilities to tie the project into community usefulness.

Flawed Accountability—The quasi-governmental agencies which often exercise a determining influence on the conduct of these programs tend to obscure and fragment responsibility for decisions made and therefore to subvert the democratic accountability of elected officials. Regional commissions, comprised of a Federal Co-chairman and Governors from member States, take part in many program and planning decisions which really affect only one Governor's State. Too often the Federal officials responsible for rural assistance are geographically distant, and the local, State or multi-State institutions that have a say are politically insulated or remote.

THE STATEWIDE DEVELOPMENT PLAN

Special Revenue Sharing for Rural Community Development would be administered initially by the Secretary of Agriculture; eventually both this program and the urban community development program would come under the direction of the Department of Community Development whose formation I have proposed. In addition to paying out each year's rural development funds to the States and territories, the Secretary of Agriculture would stay abreast of rural development aspects of the statewide development plans which each Governor would file with him annually.

The statewide planning process which would help States and localities coordinate activities carried on under both urban and rural community development revenue sharing will be established in legislation that I will submit shortly. It would require annual preparation of a comprehensive statewide development plan outlining spending intentions for programs in metropolitan, suburban, smaller city, and rural areas alike. The $100 million Planning and Management Assistance program which I proposed in my message to the Congress on Urban Community Development Revenue Sharing would provide funds which States and local jurisdictions could use in this planning process.

The Governor of each State would be given the responsibility for drawing up the statewide development plan. Formation of the plan would be based on a consultative process which considers plans submitted by State-established, multi-jurisdictional planning districts covering all areas of the State. Planning bodies of these districts would be composed of local elected officials. One member from each of the district planning bodies would sit on a panel which would assist the Governor in the planning process. The Secretaries of Housing and Urban

Development and Agriculture could accept an alternative consultative process proposed by the State.

The completed plan would be filed with the Secretaries of Agriculture and of Housing and Urban Development—not for their approval, but as a declaration of intent; a Governor could amend his plan by letter during the course of a year.

The process of developing the statewide plan would focus official concern and public attention upon the interrelationship of urban and rural community development within the State. The plan could identify potential growth areas, potential new community development sites, and environmentally important areas. It should seek to integrate all important community development factors, including land use.

All the money a State receives under Special Revenue Sharing for Rural Community Development would have to be spent for the benefit of persons in rural areas as outlined in the statewide plans. A State could of course also supplement its own rural development activities with money received under General Revenue Sharing and under other Special Revenue Sharing programs within program definitions. The Secretary of Agriculture would conduct an annual post-audit of State rural development activities, with payment of the next year's rural revenue sharing funds conditional upon State compliance with rural development spending plans for the year past.

THE LOGIC OF RURAL DEVELOPMENT REVENUE SHARING

To review briefly:

The major challenge facing rural America is to diversify its economy and to provide full opportunity for its people to enjoy the benefits of American life. Meeting this challenge will enhance the quality of life for those who remain to operate the nation's family farms and for all their neighbors in the small towns and countryside of America. As a secondary effect—like upstream watershed management for downstream flood control—meeting the rural challenge will also help to relieve the overburdened urban structure by stemming rural outmigration and attracting a share of future growth to rural communities.

The key to a rural development strategy is my proposal for $1.1 billion in Special Revenue Sharing for Rural Community Development—money which all States and territories would share and which they could spend in their rural areas as they deem wisest. Other proposed Federal assistance for rural America includes part of the $6 billion General Revenue Sharing program and part of five Special Revenue Sharing programs, as well as the benefits of a reformed welfare system and an improved health care system.

At the core of rural development revenue sharing would be eight agricultural grant programs and three broad development assistance programs now in being. Consolidating them, the revenue sharing approach would build on decentralizing trends in the agricultural programs and on the multi-State, and multi-county development planning experience accumulated under EDA and the regional commissions. It would do away with narrow aid categories, spending restrictions, duplication, and red tape now surrounding these programs. It would make the money now devoted to them go further and would provide more money.

Existing programs and development projects could continue or not at the discretion of each State, and the right of choice would rest close to the rural people at whom the aid is directed. A statewide planning requirement with a broadly representative input would promote coordinated development of a sort not now approached and would insure that all areas of the State have a voice in the planning process; but in no case could rural development revenue sharing money be diverted from rural needs.

URBAN-RURAL PARTNERSHIP

More money, plus more freedom to spend it, plus better planning in doing so, add up to better living for rural Americans and brighter futures for rural communities. Mutual benefits of the urban-rural partnership would be manifest as cities enjoyed the fruits of a healthy agricultural economy and the relief of more evenly distributed population growth, while rural areas felt the effect of new social and economic advantages. Rural and urban communities would no longer siphon off one another's strengths and resources nor shunt problems and burdens from one to the other. They would progress together in a dynamic balance, as partners in the best sense.

RICHARD NIXON.

THE WHITE HOUSE, *March 10, 1971.*

Rural community development special revenue sharing fact sheet

State	Full year special revenue sharing payment
Alabama	$31, 621, 797
Alaska	6, 005, 315
Arizona	8, 050, 592
Arkansas	23, 654, 439
California	28, 581, 922
Colorado	10, 157, 250
Connecticut	3, 632, 731
Delaware	1, 425, 141
Florida	21, 624, 846
Georgia	37, 549, 118
Hawaii	1, 875, 519
Idaho	8, 091, 275
Illinois	29, 852, 696
Indiana	21, 834, 101
Iowa	28, 625, 697
Kansas	20, 203, 850
Kentucky	65, 576, 950
Louisiana	22, 719, 832
Maine	10, 682, 454
Maryland	12, 701, 105
Massachusetts	6, 277, 871
Michigan	21, 081, 928
Minnesota	29, 529, 434
Mississippi	34, 608, 084
Missouri	28, 559, 575
Montana	8, 984, 715
Nebraska	13, 299, 928
Nevada	3, 305, 805
New Hampshire	4, 573, 866
New Jersey	13, 423, 863
New Mexico	11, 274, 635
New York	43, 363, 644
North Carolina	47, 308, 559
North Dakota	10, 288, 509
Ohio	35, 659, 397
Oklahoma	22, 675, 298
Oregon	9, 981, 209
Pennsylvania	46, 643, 400
Rhode Island	1, 726, 187
South Carolina	26, 286, 225
South Dakota	9, 946, 805
Tennessee	42, 555, 061
Texas	51, 113, 344
Utah	5, 351, 181
Vermont	3, 699, 820
Virginia	26, 975, 519
Washington	11, 756, 245
West Virginia	65, 177, 201
Wisconsin	22, 636, 792
Wyoming	5, 698, 912
Puerto Rico	25, 872, 005
Virgin Islands	1, 051, 347
Guam	1, 314, 112

Rural community development special revenue sharing payments, $1,086,467,106.

Discretionary funds, $13,532,894.

Full year rural community development special revenue sharing fund, $1,100 million.

PROGRAM OF RURAL DEVELOPMENT

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING PROPOSALS FOR A PROGRAM OF RURAL DEVELOPMENT

FEBRUARY 1, 1972.—Referred to the Committee of the Whole House on the State of the Union and ordered to be printed

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To the Congress of the United States:

From the very beginnings of our history, the vitality of rural America has been at the heart of our Nation's strength. It is essential that we preserve and expand that vitality in the years ahead. For America will not be able to look eagerly to the future with a sense of promise and hope unless those who live in its rural areas are able to share in this vision. To help improve the quality of life in the American countryside, I am today presenting a series of proposals designed to marshal more effectively the energies of the private sector and of government at all levels in a cooperative program of rural development.

THE PROBLEMS OF RURAL AMERICA

All Americans have a high stake in rural development. For the problems which many rural areas are now experiencing are directly linked to those of our cities and suburbs. Changing patterns of life in rural America have changed the pattern of life in all of America.

A central cause of these changing patterns has been the increasing mechanization of agriculture and of other natural resource industries such as mining and lumber—a process which has resulted in a substantial reduction in jobs in these occupations in recent years. While employment opportunities in other occupations have more than offset these declines, the overall growth of economic opportunity in rural America has lagged far behind that of our urban areas. Today, dramatic disparities exist between metropolitan and rural areas in such indices as per capita income, housing standards, educational attainment and access to medical care.

At the same time, political institutions designed to deal with simpler problems in simpler times have frequently been unable to cope with these new challenges. The Federal Government often finds that it is too remote and too unwieldy to respond with precision to State and local needs. State and local governments are frequently too impoverished or too fragmented to undertake the necessary planning and development activities. Their problems are accentuated by the fact that widely dispersed rural population inevitably means higher expenditure per person for most government programs.

One result of all these factors is that semi-deserted country towns—once centers of life for the surrounding countryside—stand today as stark reminders of unused and abandoned rural resources. In each of the three decades since 1940, half of our counties (not always the same ones) have lost population. Two out of every five of our counties lost population in all three decades. As I said in my State of the Union Message two years ago, many of our rural areas are being emptied of their people and their promise.

In many cases, those who have left the countryside have simply taken their problems with them. Indeed, many have seen their problems intensify as they have settled in over-crowded urban areas.

It is striking to realize, as I noted in this year's Message on the State of the Union, that even if we had a population of one billion—nearly five times the current level—our area is so great that we would still not be as densely populated as many European nations are at present. Our problems are not so much those of numbers as of distribution. And their solution requires the revitalization of the American countryside.

Changing Our Approach

In seeking to solve the problems of rural areas, we must not simply seek more money from the Congress and the taxpayers. In the past decade we have seen the folly of pouring money into projects which were ill-considered and lacking in local support. What we must now seek instead is a fundamental change in the way government approaches the entire developmental challenge.

The Federal Government has spent considerable sums on rural development. Programs which we have recommended for inclusion in our rural development Revenue Sharing plan alone are spending almost $1 billion this year and this is only a small part of our overall rural development spending. And yet, despite this substantial funding, the problems have continued to grow. What is it that has been missing from our rural development programs?

MORE CONTROL AT THE STATE AND LOCAL LEVEL

I believe that a major missing ingredient has been effective control of development programs at lower levels of government. Because we have relied so exclusively on Federal funds—handed out through bureaucratic processes and through narrow categorical grants—too many decisions have been made in Washington and too few have been made in rural America. I believe this is wrong. I believe we should return power to officials who are selected at the State and local levels.

As long as the Federal Government sets rigid rules, both through legislative and administrative guidelines, there is little room for local initiative. Under our present system, a project that does not meet

Federal standards does not get funded. This means that the talents of local government officials, of leaders in the private sector, and of public-spirited partnership and have taken the initiative. We must do success stories that can be found in rural economic development have occurred because local officials and private leaders have entered into a public-spirited partnership and have taken the initiative. We must do all we can to encourage such partnerships.

IMPROVED PLANNING

Even as we seek to decentralize, we must also work to improve planning. In many respects these goals represent two sides of the same coin. For plans which are developed at levels close to the people are likely to be more realistic, more imaginative and more useful than abstract blueprints which are drawn up far away from the scene of the action or which are altered to meet rigid Federal rules. Effective development does not require plans that can survive the scrutiny of Washington. Effective development requires plans that people believe in and will work to accomplish.

MORE ADEQUATE PUBLIC AND PRIVATE RESOURCES

More adequate development also requires more adequate resources. This does not simply mean more Federal money; it also means that Federal funds now available must be freed from the inhibiting restrictions within which they are now entangled. Funds which are free of these restrictions can be used in each locality where the needs are greatest, eliminating a great deal of inefficiency and waste.

But Federal grant money provides only a part of the Federal contribution to rural America. Adequate credit resources can also be extremely important in developing community facilities and in attracting private investment. In the end it is not Federal money, nor even the vast sums spent by State and local governments, which hold the key to rural development. The private sector has an enormous role to play and public efforts must keep this fact centrally in mind.

HELPING THE FARMER AND PROTECTING THE ENVIRONMENT

Rural America cannot move forward effectively into the future unless it respects those elements which have been the base of its strength in the past. We cannot build a stronger rural economy, for example, unless we also build a stronger agricultural economy. While we must work to change the American countryside, we must never do so at the expense of those who produce our food and fiber. We must work to create a better life for American farmers even as we provide an expanded range of opportunities for those who are no longer needed on the farm.

Even as we do more to promote agricultural prosperity, so we must do more to protect the rural environment. Just as development must not come at the expense of the farmer, so it must not come at the expense of environmental concerns. We cannot fully develop the American countryside if we destroy the beauty and the natural resources which are so much a part of its essential value.

BASIC PRINCIPLES

These then are the basic principles which should guide our new approach to rural community development:

We must treat the problems of rural America as a part of a general strategy for balanced growth.

We must reserve the flow of power to the Federal Government and return more power to State and local officials.

We must fight the rigidities of narrowly focused categorical grants.

We must facilitate more adequate advance planning.

We must reorganize the Federal Government so that it can more effectively support planning and execution at the State and local level.

We must provide adequate resources and credit, in ways which attract greater private resources for development.

We must develop rural America in ways which protect agriculture and the environment.

On the basis of these principles, we have prepared the following recommendations for action—including proposals which have been submitted earlier and a number of new initiatives.

PROPOSALS ALREADY SUBMITTED TO THE CONGRESS

DEPARTMENT OF COMMUNITY DEVELOPMENT

One of the most significant barriers to effective planning and coordination in rural areas has been the fragmentation of Federal efforts. Too many programs which should be closely related are operating as very separate entities. As a result, State and community leaders must often run a complex obstacle course in order to obtain development assistance. Frequently there is poor coordination and wasteful duplication and in some cases the action of one Federal agency actually conflicts with that of another.

The principal reason for this fragmentation has been the failure of the Government to recognize the inter-relationship among rural, suburban and urban problems and the need to strengthen the essential social and economic partnership between rural America and our great metropolitan centers.

I believe the proper solution to this problem is to gather the principal Federal programs which support community development within a single new Department of Community Development.

This new department would both simplify and expedite the tasks of State and local governments through a broad range of program and technical support efforts. Because fewer questions would have to be resolved in Washington at the interagency level, the new department would also expedite the decentralization of Federal decision-making which this administration has already begun. The new Department of Community Development would take over most of the functions now performed by the Department of Housing and Urban Development; some of the functions of the Department of Transportation, the Office of Economic Opportunity and the Small Business Administration; and the responsibilities of the Department of Commerce with respect to the Title V regional commissions.

Under our revised plan for executive reorganization, the Department of Agriculture would remain as a separate department focusing on the needs of farmers. But a number of present Department of Agriculture development functions would be moved to the new Department of Community Development, including the Farmers Home Administration loan and grant programs for rural community water and sewer systems and for rural housing; the Rural Electrification Administration loan programs for electric and telephone systems; the recently established Rural Telephone Bank; research programs related to rural community development conducted by the Economic Development Division of the Economic Research Service; and the programs of the recently established Rural Development Service.

Comprehensive reorganization would mean that every Federal dollar spent on rural development could have a far greater impact. I again call on the Congress to establish this new department, which would be uniquely capable of launching a well-developed, well-coordinated campaign to achieve the nation's community development goals.

A REVENUE SHARING PLAN FOR RURAL AMERICA

Our revenue sharing plan for rural America proposes to unite the funding for a number of existing programs into a single more flexible resource for rural community development. Our proposed program would add $179 million to the various programs to be consolidated, bringing the total annual program to a level of $1.1 billion. Each State would receive at least as much under revenue sharing as it receives under the current system of categorical grants. The program would take effect at the beginning of Fiscal Year 1974.

Rural community development revenue sharing funds would be paid out to the States and to Puerto Rico, the Virgin Islands and Guam according to a formula which takes three factors into account: the State's rural population, the State's rural per capita income in comparison to the national average, and the State's change in rural population compared to the change in population in all States. In addition, every State would receive a minimum amount to assure that all States participate in the program.

The revenue sharing proposal incorporates a requirement for statewide development plans to ensure that activities carried on under the rural community development revenue sharing program could be coordinated with activities under the other general and special revenue sharing proposals, including those for urban community development and for transportation. Each year the States would prepare a comprehensive statewide development plan which would outline spending intentions for programs in rural areas and smaller cities, as well as in metropolitan and suburban areas. It would be the responsibility of the Governor of each State to draw up this statewide plan. This process would be supported by another major administration initiative, our proposed $100 million planning and management grant program.

The development plan would be formulated through a consultative process which would consider plans submitted by multi-jurisdictional planning districts, which the Governors could establish with rural revenue sharing funds. These local planning organizations would be composed of local elected officials and would be established in all areas of the State. One member from each of these district planning bodies would sit on a panel to assist the Governor in the comprehensive planning proces.

This process for developing a statewide plan would ensure that public officials and the general public itself would focus attention on the inter-relationships between rural and urban development within each State. The plan would identify potential growth areas and development sites as well as areas which are of special environmental concern. The plan could also take into account interstate projects and programs developed through the regional commission mechanism.

The rural community development revenue sharing program represents a reaffirmation of faith in State and local governments. It is based on the concept that local people have the best understanding of local problems and on the belief that they have the will and the ability to move vigorously and intelligently to solve them. The revenue sharing approach removes the often stifling and always frustrating strictures which require that Federal grants be used for narrow purposes. It provides the flexibility which State and local governments need in order to fund those projects which they themselves believe would best ensure rational development in their areas and most effectively enhance the quality of life.

The development plans drawn up under this program would cover an entire State. Rural revenue sharing funds would be spent largely outside metropolitan areas while urban revenue sharing funds would be used within those areas. It is important to note, however, that rural areas include almost 2,800 of the more than 3,100 counties in the United States.

Last March, when I submitted the rural community development revenue sharing proposal for the first time, I said that "the major challenge facing rural America is to diversify its economy and to provide full opportunity for its people to enjoy the benefits of American life." I still believe that revenue sharing can do a great deal to help rural America meet that challenge.

New Proposals

Revenue sharing and reorganization can have a great long-range significance for rural America. But we must also take a number of other steps which I am outlining today, including two major new proposals. The first involves a new approach to rural financial assistance. The second concerns added authorities for improving the environment and attaining conservation objectives in rural America.

EXPANDED CREDIT FOR RURAL AMERICA

I am recommending today a new rural community development credit sharing authority which would give the Secretary of Agriculture and the State Governors new tools to help revitalize rural areas. Under this proposal, a new Rural Development Credit Fund would be established to provide loans, loan insurance and loan guarantees to the States for their use in assisting development. This credit would be made available through the Farmers Home Administration for up to 80 percent of the cost of establishing or improving businesses which help create economic growth in rural areas. This fund would also make loans and guarantees for sewer and water facilities and other public works and community facilities, such as industrial parks and community centers, which work directly or indirectly to improve employment opportunities.

Loans and guarantees would be made in accordance with the State development plan required under rural revenue sharing. The States would select specific projects which are consistent with this development plan.

A significant new feature of this credit-sharing proposal is the requirement that most of the authorizations be divided among the States according to the same formula established for rural community development revenue sharing. Specifically, 80 percent of the loan funds for commercial and industrial development and for community facilities would be allocated to the States on a formula basis. The remaining 20 percent of loan authorities would be administered by the Secretary of Agriculture. A large portion of the authorization—65 percent in each fiscal year—would be reserved for commercial and industrial development uses and the remainder would be available for community development purposes. Each State would know in advance the amount of grants and credit it could commit according to its plan each year.

This proposal would involve private lending institutions as fully as possible in the rural revitalization effort. Financial assistance would not be provided under the program unless it was clear that firms and communities could not obtain credit elsewhere. Fully three-quarters of each year's authorization would have to be in the form of a guarantee of loans made by private financial institutions. Hopefully, almost all loans could be made by this sector of our economy. In addition to the direct involvement of private banks, this program would also emphasize loans to private entrepreneurs for job creation through commercial and industrial development. Since some equity would be required, these business decision-makers would be far more likely to make realistic, workable development decisions than far-removed Federal bureaucrats can now do. It is also likely that these market-oriented decisions would provide sounder, long-term employment opportunities. This combination of Federal funding, local initiative and statewide planning utilizing the private market economy should produce a far more productive use of our resources.

I am proposing an authorization level for this credit-sharing program, which includes the existing Farmers Home Administration water and sewer program, of $1.3 billion in fiscal year 1974.

My new proposals also involve additional features and technical improvements which would streamline and improve the effectiveness of farm and rural loan programs now administered by the Department of Agriculture. Among these are proposals to increase the farm operating loan limit to $50,000 and to increase the limit on new loans to be held in the agricultural credit insurance fund from $100 million to $500 million. This latter provision would provide adequate levels to insure that the expanded loan and guarantee program would have a substantial impact on rural areas.

In summary, this new approach to credit assistance contains several advantageous features:

(1) It would establish a direct link between credit assistance and revenue sharing since both programs would be administered according to the same statewide plan.

(2) It would expand the role of private lending institutions. Firms otherwise unable to obtain credit would have a chance to mature under this plan so that they could borrow from private lending institutions at a later time without Federal guarantees.

(3) The plan could work through a delivery system for servicing loans which is already in operation—the Farmers Home Administration, which has offices in more than 1,700 counties. There is an office within a relatively short distance of practically every rural community in the United States. This whole system, moreover, could be readily transferred to a new Department of Community Development.

(4) Projects could be jointly financed by a number of Federal agencies, such as Small Business Administration, the Department of Housing and Urban Development, and the Environmental Protection Agency, as well as by other private and public State and local agencies.

(5) Improved planning and program coordination would be possible under statewide plans which grow out of the needs and suggestions of multi-jurisdictional planning districts already established in more than half of the States. These planning bodies would also provide expertise for communities that are too small to employ their own development experts.

IMPROVING THE RURAL ENVIRONMENT

To help carry out our environmental concerns, I propose that the Secretary of Agriculture be authorized to share the costs of long-term conservation in watershed areas. Such an authorization has worked most successfully under the Great Plains program. This measure would foster the orderly establishment of needed land treatment measures within the small watershed areas of the country.

In addition, technical and cost-sharing assistance should be authorized within watershed areas for the improvement of water quality. This would mean that, for the first time, Federal cost-sharing would be made available to improve water quality on a year-round basis. Such technical and cost-sharing assistance should also be provided in Resource Conservation and Development Project areas.

Finally, the Secretary of Agriculture should be authorized to inventory and to monitor soil, water, and related resources and to issue a national land inventory report at five-year intervals. Such data could be used at all levels of government in land use policy planning.

All these proposals would broaden the dimensions of Federal service and would give new impetus to the entire rural development task. But I would emphasize again that this task must be one in which the people themselves are directly involved—and it must begin in rural America. Our proposals would provide rural people and communities with the tools they need to achieve their goals and I hope these recommendations will receive early and favorable consideration.

RESULTS OF OUR INCREASED EMPHASIS ON RURAL DEVELOPMENT

The essential steps now depend on action by the Congress. But while action on past proposals has been pending, we have also been taking a number of administrative steps to improve our rural development programs and have substantially increased program funding. For example:

—The funding of principal rural development programs in the Department of Agriculture this year ($2.8 billion) is more than four times that of fiscal year 1961 and twice that of fiscal year 1969. Twenty-nine of the thirty-four rural development programs in that department have been expanded since 1969.

—Since 1969, the Department of Housing and Urban Development has nearly tripled its grants for non-metropolitan planning districts. It funded 155 districts which received $3.4 million in grants in the last complete fiscal year.

—Rural housing assistance, with an emphasis on low and moderate income families, has reached a record level of $1.6 billion under the Farmers Home Administration program—more than triple the 1969 level.

—Research on rural development and housing is estimated at $9 million this year, more than double that of 1969.

—Funding for community sewer and water facilities has reached a record high level of $300 million in loans, plus $42 million in direct grants. This represents an increase of almost 80 percent over the level provided two years ago.

—Soil Conservation Service resource conservation and development, flood prevention, and watershed programs have expanded from $103 million in fiscal year 1969 to an estimated $156 million this year.

—With the recent release of an additional $109 million in funds for rural electrification, total available funds for the Rural Electrification Administration have been increased to $438 million for the current fiscal year. REA loans from 1969 to 1971 totaled more than $1.4 billion. Since 1969, REA-financed systems connected 700,000 new electric services and 420,000 telephone users—the largest three-year growth since the 1950's.

—The Rural Telephone Bank, with an initial Federal subscription of $60 million in the first two years, has been established to provide new credit resources for telephone cooperatives seeking to improve rural communications.

— Extension Service community development activities this year attained a funding level estimated at $12.7 million, an increase of $3.7 million over 1969 levels.

—To broaden the role of the employment service in serving our rural population, a Rural Manpower Service has been established in the Department of Labor.

—A cooperative program called Concerted Services in Training and Education has involved several Federal agencies as well as local organizations in helping individuals better utilize Federal programs.

—A special office has been created within the Department of Health, Education, and Welfare to focus on special problems of human resource development in rural areas.

This expansion of Federal efforts to stimulate the development of rural communities has been paralleled by the increased efforts of individual citizens, civic organizations, private enterprise and government at the State, county and municipal level. There are many evidences of the resulting overall progress.

—Outmigration from rural communities slowed from 4.6 million during the 1950's to 2.4 million during the 1960's. Most of the population losses during the 1960's occurred in the Great Plains and intermountain areas of the West, but gains were realized in parts of the Southern Piedmont, the middle Tennessee Valley, eastern Oklahoma, and northern and western Arkansas. This is evidence that the migratory tide can be slowed—and in some instances even reversed.

—Income per capita in rural America is growing faster than in metropolitan America, though it still remains below the urban level.

—While the incidence of poverty is greater in rural than in urban America, its reduction rate is nearly twice as fast.

—Non-farm employment outside the metropolitan centers has generally grown at a slightly faster rate than employment in metropolitan areas. Manufacturing employment is expanding more rapidly in rural areas than in the large cities.

—Although rural America still contains about two-thirds of our inadequate housing, the ratio of inadequate to adequate rural housing units has been reduced from one-third to one-seventh in recent years. Rural electric and telephone services have improved; more than 98 percent of America's farms are now electrified.

—During the past three years, per capita farm income has averaged about 75 percent that of non-farm workers. This is still too low, but it represents a significant improvement over the past decade.

—The median years of school completed by persons 25 to 29 years of age is now about the same—12 years plus—in metropolitan and non-metropolitan areas.

All of these signs of progress are most encouraging. But this record is not something to stand on—it is something to build on. Much significant work has already been done—but the most important tasks are still before us.

The longer we put off these tasks the more difficulty they will be. With the cooperation of the Congress we can promptly take up this work, opening new doors of opportunity for all who seek a better life in rural America.

RICHARD NIXON.

THE WHITE HOUSE, *February 1, 1972.*

THE NEED FOR RURAL DEVELOPMENT

(Excerpt from S. Rept. 92-734, 92d Congress, 2d Session, Rural Development Act of 1972, April 7, 1972, on S. 3462)

> But the Growing Point of American life is scarcely to be found in the small town today. Latterly, the important lines of growth have been elsewhere. It is partly that all the small units in American life are having to wage a losing fight—not only the small town but the small farm, the small business firm, the small college, even the neighborhood within the big city. Somewhere between the turn of the century and the New Deal the small town felt the withering touch of the Great Artifact that we call American society, and in the quarter century between 1930 and 1955 the decisive turn was made, away from small-town life. The currents of American energy moved around and beyond the small towns, leaving them isolated, demoralized, with their young people leaving them behind like abandoned ghost towns * * *
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> * * * If the small town is wholly sacrificed there will be sacrificed along with it some continuity of face-to-face relations, an awareness of identity, a striving to be part of a compassable whole, a sense of counting for something and being recognized as a person and not a cipher.—MAX LERNER in "America as a Civilization".

Following the riots in Detroit a few years ago, the business community of that city formed an organization that created 50,000 new jobs for the poor. It was an enormous community effort. And when it was done, Detroit learned that its unemployment rate was slightly higher than it had been before the jobs had been created. The word had gone out on the migration grape vine that there were jobs in Detroit for rural people who wanted to work.

Governor Bruce King of New Mexico reports that each time Albuquerque gets a new industry, the city's jobless rate inches up just a little, and the population of the New Mexico countryside declines proportionately.

Before the 1920s, Metcalf, Georgia, was a proud and prosperous little town. The streets were lighted with kerosene post lamps. Farmers used to come in on Saturdays to sell their cotton and produce, and there was enough commerce to support two banks.

Metcalf was more than a town. It was a gathering place where people could sit around tables in the saloon, tell stories, hear the news and watch curiously as occasional blobs of spit sizzled down the side of tthe iron stove.

J. Truman Holland remembers it. He says it was a "hello, how are you" kind of place. Mr. Holland ran one of the banks. But he doesn't live in Metcalf anymore. Few people do. There's just a tumble-down store there today with a little sign stuck in the screen door that says, "We accept food stamps."

Metcalf is dead.

Before dawn each day, a farmer in the panhandle of Oklahoma packs his young daughter into a pickup truck and drives her eight miles to the school bus stop. She waits for a while in the morning chill for a bus that takes her on a two-hour trip to class. Each night she returns just in time for supper. Her father says, "I don't know what to do. It isn't fair to her. Maybe I'll have to move to town."

The song asks, "Where have all the young men gone. . . ."

Some went to war and never came back to their small town homes. Others returned to the countryside expecting a better life than they had left. Often they were disappointed.

A lot of the young men went to Chicago and Detroit and New York. Many took skills and energy with them. Many didn't. A lot of them were able to adjust to the new pressures of big city living. Many could not.

Thirty million Americans have left the farms and the small towns, since the beginning of World War II, for the promise of city living, draining the countryside of its promise. Though it has slackened, the migration continues at a rate of about 600,000 people a year.

In 1960 the Department of Agriculture dourly predicted that by 1980, this nation would only have 2.6 million farmers remaining on the land. It's only 1972 and there are only 2.9 million left.

And somehow those wonderful conveniences of the big cities—the ready-at-the-tap potable water; plenty of natural gas and electricity; garbage pickups; sewage disposal; police and fire departments—somehow these systems seem to be fraying at the edges. Things don't quite work anymore. Not like they used to.

Seventy percent of our people now live on two percent of the land, pressed into Balkan corridors along the seacoasts and the Great Lakes. One of these concentrations, Southern California, is already being called a water deficit area.

Dimly, those who live in and around the major cities and the people left behind in the countryside, are beginning to perceive that something is wrong. Nobody planned it that way, and maybe that's the trouble.

Fun City isn't laughing anymore. And Main Street is covered with the dust of faded memories and the cobwebs of national neglect.

Former Governor Edward Breathitt of Kentucky says:

> Through a complete lack of any governmental policy, we have permitted rural America to deteriorate like a rusting hand plow languishing in a fallen down barn, while the social and economic problems once scattered across the thousands of square miles of our great land have become compacted into urban ghettos where they have become both more evident and more volatile.

At some time, not long after the turn of the century, our population may have increased by as much as 100 million. Most of them will be born in the metropolitan regions that now labor under the strain of too many people. They will be born into cities without adequate electric power to heat their bottle warmers. They will be born in look alike subdivisions in look alike houses in suburbia where even enormous property taxes are inadequate to build classrooms fast enough. They will be born at the edges of beltways, expressways, freeways, throughways and circumferential highways, and when they look to the sky it will not be blue. Their eyes will be filled with a noxious, nitrous substance whose trade name is "Progress."

It seems unlikely that the chamber of commerce will lead off its annual report anymore with the proud declaration of how many additional people there are in town.

What then?

Some say, "Build new cities." And a few new cities have been built, with names like Reston and Columbia. But to house all of the new babies it would require construction of a new city of 10,000 people every day for the next 30 years. It would mean thousands of new sewer systems built from scratch; thousands of new police departments; thousands of new street plans; thousands of new school systems. There are no bounds to the economic and social costs of such a proposal taken alone as a national policy.

But in rural America, thousands of small, viable towns already exist with the root systems of community facilities that already function. These small towns are political and economic beginnings that can be built upon—not to create new "slurbs" and mounds of rabbit warren urban decay—they are a foundation on which can be constructed a new rural society that will provide jobs and services for those already living there, and for those who would return, if they could, to their personal beginnings in the countryside.

It would be foolhardy to propose a national policy of "back to the farm." But a sensible policy of balanced national growth that would keep rural America strong and uniquely rural, while making better use of the land for all the people, is something that can be put together. It makes sense that it be implemented.

Although J. Truman Holland does not live in Metcalf anymore, he does live in Thomasville, just a few miles down the road. Thomasville is alive and healthy. It has its problems and needs. But Thomasville supports a daily paper, a small mobile home industry, a farmers market and a community willingness to succeed.

Thomasville will be all right, with a little help, and there are hundreds of Thomasvilles all across the face of this land.

Dr. Peter Goldmark is a scientist who holds more than 100 patents. He is best known for development of the long playing record and the communication system between earth and the astronauts.

But Dr. Goldmark is concerned about the vast amount of the nation's energy resources that huge cities use up. He is concerned about the effects of the stresses that the morning rush hour puts on people. Dr. Goldmark is a futurist, and he sees a new future for America in the *careful* development of rural America.

President Nixon has said that it will never be his policy to force the distribution of people to places they do not want to live. But the President has also called for balanced national growth.

Title IX of the 1970 Farm bill recognizes that government can influence directly where people live by where it puts Federal facilities and installations. Huntsville, Alabama, was a small country town before the Redstone Arsenal was located there. Now it is a major city. The Tennessee Valley was once a severe pocket of poverty, where malaria and gross unemployment were endemic. Since the establishment of TVA, the valley is one of the nation's healthiest growth areas. The vast development of Southern California was possible because water was made available.

Bacon County, Georgia, was once a quiet backwater, out of the mainstream flow of the Interstate highways. After the county became the first *rural* Model Cities area, 500 new jobs were created there; 429 of them in the private sector.

Even though there are important signs that rural America is making a significant comeback, there are still many problems, as reported in 1971 by Calvin L. Beale of the Economic Research Service of the U.S. Department of Agriculture:

> The heavy decline of farm people has masked from public notice the rapid growth of the nonfarm segment of the rural and small city population.
>
> Because of its long and rapid decline, the farm population now numbers less than 10 million, compared with 30 million 30 years ago. Most of its potential loss has now occurred. It is simply impossible for future outmigration from farms to approach the losses of the recent past. Thus, if nonmetro areas can continue to maintain the conditions that retained and attracted nonfarm people in the 1960's the overall nonmetro population growth will converge further toward the national average as the influence of farm losses diminishes.
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> If we look at countries by degree of rurality, we find that the completely rural counties of the United States had a small overall loss of people, and that county population rates varied directly with proportion of urban population.
>
> But as unlikely as it may seem at first glance, the growth rate of nonagricultural jobs was actually higher in rural counties than in the urban group during the 1960s, and the highest of all in the completely rural group—a pattern just opposite of that of population growth. Rural counties had a growth of 43 percent in nonagricultural wage and salary jobs covered by the OASI system from 1959 to 1969.
>
> This high rural job growth failed to bring much population growth for two reasons. First, the more rural a county, the smaller the proportion of the labor force working in nonagricultural wage and salary jobs tends to be. Thus the recent nonfarm job gains in such counties start from a low base and have been readily offset by declines in farm work. Secondly, many jobs newly taken by rural residents have been going to women, who were previously underrepresented in the rural labor force. These jobs have raised the incomes of many rural households, but jobs for women do not serve to increase the number of families in an area as increased jobs for men do. . . .
>
> * * * Perhaps the main attraction that people believe they see in smaller-scale communities is a superior environment in which to raise children. People also seem to be of

> the opinion that there is less stress and tension in smaller towns and rural areas. These perceived virtues are not likely to retard the outmovement to urban areas of small town and rural youth seeking an education, a job career, or exposure to the urban scene. But they do attract many people at almost any later stage in life.
>
> Few people view small towns and rural areas as offering much economic opportunity for young people, as compared with cities. Although I have stressed that nonmetro employment opportunities have improved, nonmetro income levels continue to be much below those of metro areas. Nonmetro families averaged less than 80 percent as much income in 1968 as metro families, a difference of $2,000. Indeed, I think it can be said that modern civilization in general has not yet succeeded in making average smalltown and rural incomes the equal of those in the cities.

Mr. Beale tells us that employment is picking up in rural America, but there remains a high level of underemployment in the countryside, where slightly more than one-third of the American people live.

Rural America has about half of the nation's poverty; 60 percent of the substandard housing; hundreds of towns are without adequate water and sewer systems; solid waste disposal is a burgeoning rural problem; in many rural areas there is a lack of credit for housing, venture capital and even public facilities.

In terms of Federal spending, the disparities continue to grow. When total Federal outlays are divided by the number of persons living in metropolitan and nonmetropolitan counties, the nonmetro counties get less than the metro areas. The difference is 17 percent, or $680 per capita for the nonmetro counties as opposed to $779 in the metro areas.

Furthermore:

57 percent of the Federal outlays in fiscal 1970 went to the most urban counties.

Only 3.3 percent went to sparsely settled rural areas with no urban population.

Federal outlays per person were highest in the semi-isolated urban counties—$835.

Least favored were the densely settled rural counties—$449 per person.

Rural America is both separate and unequal.

The people of rural America have been denied the quality of life which metropolitan residents have come to accept as their right.

This inequality is not fair to those who continue to live in the countryside. To continue the status quo is unwise if the nation is to seek a truly balanced social and economic growth.

The Rural Development Act of 1972 is not a simplistic effort to get a better return of tax dollars to rural America, it is not part of a scheme to detract from the major cities. The cities are already being debilitated by the new American exodus of people and treasure to the suburbs. This legislation is a second step to bring some planning and sanity to national growth patterns that will provide Americans with a freedom of residence—a choice of where they may live and work; a choice which they do not presently have. The first step in this direction was the enactment of Title IX of the Agricultural Act of 1970. The journey to the goal of directed, planned and balanced national growth is a long one. Even the longest journey must begin with a single step. That has been taken. It is time to take another.

RURAL DEVELOPMENT CREDIT AND INVESTMENT

A Total Approach

The first two titles of the Rural Development Act of 1972 deal with first things first—the urgent need for expanded credit and investment in rural America for all purposes.

Obviously, the first steps toward meaningful rural development must be aimed toward strengthening the economic position of farmers, and the Administration reports that the requirements for farm credit are expected to double in the next several years. Title II of the proposed legislation takes a broad spectrum approach toward making this credit available, in an effort to make family farming something more realistic than a political catch phrase.

But small town residents have significant credit and investment problems too. These are seen to in both title I and title II of the bill.

Together, title I and title II represent a total approach to solving the problems which rural people have in obtaining credit, and both titles go a long way toward encouraging investment in the American countryside—the forgotten frontier. This approach to rural non-farm development credit needs is modeled upon and parallels the successful approach provided by Farm Credit Administration and Farmers Home Administration in meeting rural farm credit needs—the former, a borrower-owned hard credit private banking structure; the latter, a governmental credit source of last resort.

In Agriculture

In the old days of 40 acres and a mule, American agriculture operated on revolving credit, built around the crop cycle. But now the mule has all but disappeared and the 40 acres that was once an efficient farmstead is more likely 450 acres.

Animal and hand labor have been replaced by combines, tractors and a myriad of specialized kinds of farm operating equipment now considered essential if a farmer is to produce the most his land will give at the lowest cost.

As a result of these changes in agriculture, the need for farm credit has increased enormously. In addition, the higher start up costs of getting into agriculture in the first place keep many young people out of a farming career unless they are fortunate enough to inherit an equipped farm.

The inability of both prospective farmers, and those who have toiled in the fields for years, to get credit when they needed it has been a considerable factor in the decreasing number of those who farm.

Certainly the Farm Credit System has taken up much of the slack. But the "credit of last resort" or "soft credit" provided by the Farmers Home Administration needs strengthening. Higher costs of machinery and other operating materials have made the existing operating loan limit of the Farmers Home Administration unrealistic.

At present, these loans are direct loans, with the money coming out of the Treasury. This legislation proposes that these loans become insured loans instead, so that the amount of money available under this program can be expanded considerably. In addition it would raise the loan limit from $35,000 to $50,000. The legislation would also give special help to young people who wish to get started in farming or in some other enterprise.

The Farmers Home Administration has reported that half of those who, for one reason or another, are unable to get this soft credit eventually leave farming.

If a system of family owned and operated agriculture is what America deems to be desirable, as opposed to national domination by a few large conglomerate entities, then this credit of last resort must be strengthened and made viable.

Nonfarm Rural Credit

Because of the unique circumstances by which the financial system works in rural America, it is clear that rural funds tend not to revolve within rural communities, but instead, they flow largely into the largest population centers. They flow into bond markets, stock markets, insurance companies, corporate bank accounts and trust funds—all of which are uniquely metropolitan.

There is some flow of urban dollars into rural areas, but the amount is not so great, because rural areas are not maintaining and using their funds locally.

Small town banks are limited by small reserves from making large loans, and the requirements of regulations under which they operate force them to loan money for short periods of time to those who represent no risks whatsoever. Often small bank reserves are invested in government bonds instead of being loaned out, once again heightening the flow of rural money to metropolitan centers.

There are nearly 14,000 banks in this country. Of this number, 5,000 have less than $5 million each in deposits, considered by many to be the minimum economical size for a bank. Nearly all of these smaller banks are located in rural places. Even though many local rural development efforts are led by bankers, inherently, these bankers now have only limited means at their disposal to accomplish what they wish in terms of economic development.

This lack of investment power by banks, and the lack of venture capital by rural entrepreneurs is a crucial flaw, because research has shown that programs of the Federal government designed to assist business investment appear to have the greatest impact geographically by inducing additional economic activity. Yet there are no Federal credit programs that provide a line of credit for a broad range of nonfarm rural community and business needs.

Many small communities are prevented from doing those things which attract economic development because they *do not need enough money*. Few bond houses will handle issues of less than $500,000. The same situation exists with stock issues. As a result, nonrevenue producing services are completely neglected by rural communities, and even credit for self-liquidating, or partially self-liquidating activities, such as water and sewer lines, is hard to come by.

Unless more credit is made available for projects which can pay at least a part of their own way, small towns will never be able to use local tax dollars for those things which improve the quality of rural life;

make communities attractive for commercial expansion; and are part of the American way of living which most non-rural residents take for granted.

It is estimated that the cost of all anticipated rural water and sewer needs is more than $13 billion.

A study of the availability of credit in Kentucky revealed:

> Although borrowers seem to have access to a great number of sources, credit funds for economic development appear to be relatively scarce. There are alternative sources of credit for special kinds of lending, such as housing and farming. Business and commercial needs, especially for development, however, have few alternatives to commercial bank credit.

In a report by Iowa State University on The Impact of Population Change on Rural Community Life, it was reported that approximately 30 percent of those interviewed in Greene County, Iowa, identified the lack of credit and loan services as a major problem.

The National Advisory Commission on Food and Fiber said:

> Even though agricultural capital may be generally adequate in rural areas, the nonagricultural capital available is generally inadequate. Such beneficial policies as preferential reserve requirements for country banks under the Federal Reserve System, the Small Business Administration and the Area Redevelopment Administration have been helpful—but they have not been enough.

WHAT IS RURAL DEVELOPMENT?

By John A. Baker

Rural development, as it emerges over the threshold of national consciousness and conscience in the United States is an often confusing and sometimes controversial concept.

Its most confusing aspect is the concept of development itself. What is it? How to do it? How to measure it? Whether it is "good" or "bad".

The most controversial aspect is the word "rural". What does it mean? Is it ethically and realistically sound? Do we need the rural-urban dichotomy at all? Is it useful? If so, where is the dividing line between rural and urban?

One could argue, and some do, that the words "rural" and "development" in the term are contradictory with each other.

Amid the growing interest in something that has come to be called "rural development", there is still no accepted definition or concensus on what *is* "rural development" or even that it is a viable concept.

With respect to "development" neither for the United States nor for other nations has there emerged a clear-cut generally accepted theory or body of knowledge that charts the development process.

With respect to "rural", one could with considerable accuracy raise the question: "Is there a rural America?" Even many of those that would answer "yes" would probably not agree on what it is.

IS THERE A RURAL AMERICA?

Operationally, there is.

In a particularly perceptive paper to the Rural Sociological Society in Denver, Colorado, on August 27, 1971 Dr. William C. Motes stated:

> Why rural development and not just development? Rural development is a topic of special concern because of special rural problems, just as urban development is also a special topic. The justification for breaking the topic into rural and urban parts depends upon the independence of the problems—an uncertain justification because the problems are National, closely linked problems. The problems and the approaches are treated separately because they are somewhat different from urban problems and separated they appear to be more manageable.

Viewed in this way, as expressed in section 901(a) of Public Law 91-524, rural development is a high priority usefully separated component of a national policy of balanced growth.

RURAL?

Semantic references are of no great help.

One major reference based upon a magnificiently-financed research effort (Houghton-Mifflin's The American Heritage Dictionary of the English Language) defines "rural" as "Of or pertaining to the country as opposed to the city"; "country" is defined as "rural area outside of a city"; "city" is defined as "A town of significant size"; "town" is defined as a "population center larger than a village and smaller than a city, or informally, as a "city"; and "significant" is defined as "Having or expressing a meaning."

Another reference, closer to the point, defines rural as a region "with few houses" (Webster's New World Dictionary of the American Language). Following this lead, as does Section 901(b) of Public Law 91-524, Rural America is the less densely populated part of the Nation. Because of its less dense settlement, it is considered to have unique, or uniquely more intense, attractions, opportunities, and problems that are not characteristic of more densely populated parts of the nation.

To accept this formulation is not to deny a continuum from "most rural" to "most urban" reflecting a population residential pattern varying from the most scattered to most crowded. But this does not settle the question of where along the continuum if anywhere is a point of discontinuity that might serve as the dividing marker.

Reason, operating experience, and scientific research agree that there really is no universal marker between rural and urban; the distinction is best made at one place for some purposes and at others for other purposes. Moreover, the answer in each case is as much a matter of taste, politics, and personal perceptions as of distinct categories based upon objective criteria, that can be accepted as universal in application.

SYNONYMS AND SPECIFICATIONS

Various substitutes for "rural", such as "town and country", "small cities and countryside", "Countryside USA", "nonmetropolitan areas", and other designations have been suggested; but none is entirely satisfying for general use.

Many official usages and definitions of rural America specify rural as open country and all of the places of clustered settlement with population less than a maximum figure. The Rural Electrification Act puts the upper limits as a place with a population of 1500; the Bureau of the Census at 2500; the water and sewer loan programs of the Farmers Home Administration at 5500, and its rural housing program at 10,000; and non-metropolitan areas are all of the geographic territory of the nation that is not within a Standard Metropolitan Statistical Area (SMSA), the central concept of which is a city (or twin-cities) of 50,000 population or more, as determined by the U.S. Office of Management and Budget.

A technical paper prepared for the National Advisory Commission on Food and Fiber by Frank T. Bachmura found a point of discontinuity with respect to credit resources at the 25,000 level.

Fantus and Company, in a report prepared for the United States Department of Agriculture, finds that none of these types of definitions is useful for the collection of data for use in industrial location decisions. The Fantus Report recommends a concept of "Small Economic Activity Center (SEAC)" as more useful.

A study made under contract for the Department of Housing and Urban Development by the Jacobs Company of Chicago, found a point in the delivery of community services of discontinuity at the 15,000 population level.

President Nixon, in his message on rural community development revenue sharing, proposed as "rural" all of the counties in the United States outside the SMSA plus the "rural counties." That is counties within SMSAs with a population density of less than 100 persons per square mile (about one person per 6½ acres).

It can be argued that many cities smaller than 50,000, down to as small as 35,000 or even 25,000, can be thought of as having "metropolitan ambitions", while it is only those cities of smaller than 25,000 or 35,000 whose problems are more manageable when considered within a countryside or rural context rather than a metropolitan one.

The Rural Development Act of 1972, as passed by the Senate, accepts the President's upper limit on size of place but would include, as rural, townships, towns, and boroughs, rather than counties, within Standard Metropolitan Statistical Areas, if they have population densities of less than 100 per square mile. As passed by the House of Representatives, the Rural Development Act, in its rural area definition, sets 5,500 as the upper limit on the size of place.

In the other direction, many realtors and large-scale land developers now feel that the most useful distinction, for them, is one between an essentially high-rise culture on the one hand, and a residential and commercial pattern of essentially single-layer occupancy on the other. This concept coincides, approximately, with the upper limit of 250,000 population that some balanced-growth advocates have identified as the point in ascending size of city where the diseconomies of large scale organization start to bite in terms of both private and public costs.

From another viewpoint the relevant matter of human self-perceptions may well enter importantly into the consideration. The problems of cities as large as 35,000 might well best be managed in a non-metropolitan context. But their people's own conception of themselves in some cities this large might argue for reducing the upper population size limit to as low as 15,000 or 10,000, because the people of these larger places think of themselves as having an urban orientation. While many rural people may consider cities of larger than 10,000 as not sharing rural aspirations.

Moreover, an industrial-based city of 20,000 might be more metropolitan in many characteristics than an agricultural or forestry-based city of 35,000 or even more.

According to the 1970 Census of Population, there were 20,372 incorporated and unincorporated places in the United States of less than 50,000 population.

Over 14,000 were less than 2,500; about 16,600 less than 5,000; about 18,500 below 10,000; and not quite 20,000 with populations of less than 25,000. Some of these (about 5,500) were located within Standard Metropolitan Statistical Areas and probably half of them are adjacent extensions of the Metropolitan center and its suburbs.

SIZE OR DENSITY

We may have allowed ourselves to get hung up on the concept of the size of the central city as determining the metropolitanity or rurality of an area; possibly a concept of density of settlement over a specified area may be more useful. It may well be better to start with the concept of the enlarged special community—all the area within an employee commuting zone—and determining its rurality on the basis of the average population density in the entire area. This would suggest utilizing substate multi-jurisdictional planning and development districts or regions as the building blocks of Countryside U.S.A.

WHO DECIDES

Generally, the accepted concept of rural development refers to the stimulated growth or improvement of areas and communities outside the central cities of Standard Metropolitan Statistical Areas (SMSA's), and their immediately contiguous urbanized or urbanizing adjacent territory; that is town and country development in that great expanse of America that lies beyond the great cities and exists in some kind of pattern of scattered communities and neighborhoods in geographic areas whose central cities are smaller than 25,000 to 50,000 population plus the essentially rural settlement (less than 100 per square mile) that happens to be included within existing rather arbitrary and artificial boundaries of SMSAs and even within the sometimes greatly extended corporated limits of many cities of larger than 25,000.

But any such definition is arbitrary. What different people perceive to be rural varies greatly, from area to area, from subculture to subculture, from tradition to tradition, from one set of folkways to another. Probably the optimum definition is one that allows the people of each area or neighborhood to determine their own conceptions of rurality and urbanity—a sort of parallel right to match the exercise of a proposed new right to choose freely where they want to live without the coercion of either economic punishment nor of political pressures.

DIFFICULTIES OF DEFINITION

The difficulty of delineation derives both from varying perceptions of different people and from the lack of discontinuities in the progression from "pure" wilderness at one end of the spectrum to Bedford-Stuyvesant on the other in the density of human settlement in the United States. Similar problems exist in other nations.

Research has not yet revealed the most optimum pattern of settlement in terms of sustainable amenities for man nor what density and total numbers are the most conducive to attainment of the highest possible quality of life in an area. Some academic research, however, is indicating that high rise dormitories on university campuses, for example, have brought about unexpected, and as yet unsolved, problems. This may be revealing, or at least indicative.

All one can say with confidence in the present state of knowledge is that different people prefer different conditions of life with respect to how near they live to their neighbors and in how large groups.

Following Galpin and Fox, we may view the nation, its land area, and its people as more or less organized or delineated into multi-state regions that do not necessarily follow State boundaries; States; Sub-state multicounty regions or districts that correspond to Galpin's communities, which do not necessarily follow county or municipal boundaries; counties, parishes, towns, townships, and incorporated places; and within each of the latter a number of neighborhoods that are places of relatively often face to face communication. Each may include some rural land "with few houses" along with urban area with "crowded settlement."

DEFINITION

Specifically, I suggest that Countryside USA or Rural America might be considered as the more sparsely settled areas of the country and that no hard and fast delination be demanded except where required for administrative or legal purposes.

Where so required, I suggest the desirability of the following:

1. The definition of "rural" for purposes of Federal and State policies, programs, and projects should be different and varied in specific application to the nature of the undertaking involved; and
2. The definition to be used for broad purposes of planning and coordination of rural community improvement and environmental enhancement purposes be the following: "Rural areas shall include (a) all that geographic territory of the United States that is included within a State-established sub-state multijurisdictional district or region within which the average population density is less than 200 persons per square mile (one family per acre) and no incorporated place therein exceeds 50,000 in population plus (b) all geographic territory of the United States that is within any additional county, parish, borough, town, or township within which the population density is less than 200 persons per square mile; *provided*, That upon a petition of the district or county, approved by the Governor of the State, the Administrator (Secretary) may add an otherwise non-qualifying district or county to the rural area or eliminate an otherwise qualifying district or county from such designation."

This definition bears a somewhat obverse relationship to the urban orientation index found useful by the Economic Research Service of the U.S. Department of Agriculture in its monumental Report No. 205 "Regional Variations in Economic Growth and Development with Emphasis on Rural Areas" (May 1971) in classifying functional economic areas for further study. It takes into account three major considerations: (1) Size of constituent cities; (2) sparsity of population settlement; and (3) the personal perceptions of people living within the area.

I prefer to use the words "rural community" to refer to a small functional economic area or substate multijurisdictional area as earlier defined. A state may have one or more such rural communities; a rural community will have one or more counties and local government units; each of which will have one or more rural neighborhoods. Moreover, it must be recognized that rural neighborhoods exist within otherwise urban states, districts, counties and cities.

Rural America, Countryside USA, and Town and Country mean in what follows, rural communities, as above defined, plus rural parts of otherwise urbanized and urbanizing areas that should or will remain rural, that is with population densities of less than perhaps 200 persons per square mile.

DEVELOPMENT—URBANIZATION VS. IMPROVEMENT IN QUALITY OF RURAL LIFE

One of the questions with which this section opened remains unanswered. Are "rural" and "development" inconsistent with each other? Is rural development merely an euphemism for "urbanization of rural areas"? And should it be?

The only acceptable answer to either question is "no."

Through growth, of course, some currently rural areas may become urban.

But that is not the key issue. The issue is: Can rural areas develop without becoming urban? The answer to that question must be an unqualified "yes." The essence of rurality consists of two major characteristics:

a density of population residence of less than approximately 200 people per square mile and;

the maintenance of the unique charm, character, and style traditional of town and country living.

Certainly the quality of life of people living in areas characterized by these two features can be infinitely raised without increasing population density above 200 per square mile and substituting urban life styles for rural ones.

In this sense, and I submit that it is the only correct one, rural development must not be urbanization of rural areas. Moreover, I further submit, if rural development is allowed to become a process of urbanization the nation will have lost one of its major strengths; and the aims of rural development will have been frustrated.

The relative attractiveness of a rural community or area to its own residents and to potential in-migrants bears a direct relationship to the overall quality of life as measured by all aspects of its physical, natural, cultural, social and economic environment. Simply stated this means good living conditions and the opportunity to make a good living. It requires high quality communities and neighborhoods as well as effectively managed county and municipal governments with adequate income and tax-base to support locally-financed private and public undertakings. "Development" in this context means change in the status quo that results in an improvement in the overall quality of life for the residents of an area. An obvious goal and aim of most rural communities is to attain that level of the quality of life that now characterizes the most attractive and affluent suburbs while preserving the unique charm and way of life that has always characterized the small towns and countryside of America.

What Is Development?

In the case of most rural communities this involves both community improvement and environmental enhancement.

Consistent with its complex meaning the process of rural community development and its goal, purpose, aim, phases, elements of success and constituent components can probably best be summarized as follows:

Goal.—To improve the quality of life and physical environment of all residents of rural communities in Countryside USA.

Purpose.—To make a major contribution to national welfare and domestic tranquility in urban as well as rural America—in large cities as well as town and country—through contributing to a national growth pattern that will bring about a more general, better balanced geographic distribution of population and economic opportunity that will implement in America our traditional historic right of freedom of residence uncoerced by political pressures or economic adversities.

Aims.—Stimulation of sustained rural community betterment while maintaining the unique charm, character, and style traditional of town and country living by exercising (1) the vision to set attainable local goals, (2) the resolution to work toward planned objectives, and (3) a high degree of cooperation among all the diverse personalities and organizations of any rural area and its communities and neighborhoods.

The major element of success is National and State commitment to goals, purposes, and aims of rural development as the highest priority component of national balanced-growth policy. But the form of rural development must respond to rural aspirations and needs spurred by the inspiration of local leadership and the determination of local citizens to develop their own rural areas with their communities, neighborhoods and families. Farm people, workers, private business, and public agencies share the responsibility and the opportunity to create and promote rural environmental improvement and community development through vigorous driving forward in all phases of an all-out coordinated improvement effort.

Major Elements of Rural Development.—Major elements of rural development are:

Creating and supporting improved community facilities and services required to provide a high quality of life in rural America.

Taking the actions required to provide increased job-places, economic opportunities, income, and business activity required to financially support the private and public expenditures and investments required to attain the desired quality of life.

Building and providing the additional public works and community facilities and services required to attract and support economic growth and a high level of economic activity.

Facilitating investment in rural development.

Attention to and accommodation of institutional and other sociological factors.

Establishment of a system that will provide continuous formulation of acceptable, widely known, well-understood, coordinated general purpose plans for rural community improvement and development including land use and environmental protection and enhancement plans and enforcement codes.

COMPONENTS OF RURAL ENVIRONMENTAL ENHANCEMENT AND COMMUNITY IMPROVEMENT

These are the building blocks with which private individuals and groups, and Federal, State and local governments, and the multi-state and sub-state regions or districts they form, have to work with in bringing about rural development:

Community operations—*Public assistance and citizen activities*
- Air quality.
- Beautification of public and natural areas.
- Education—adult, youth, and pre-school.
- Emergency preparedness and relief.
- Food and nutrition.
- Health and medical services.
- Law enforcement.
- Manpower development and training.
- Soil and water conservation.
- Water quality standards enforcement.
- Welfare and social services.

Community facilities—*Buildings, installations, and the physical component of a community*
- Access roads and streets.
- Airports and airways.
- Buildings and facilities.
- Electric Power.
- Fire protection.
- Highways.
- Historic sites and buildings.
- Hospitals and health care facilities.
- Housing.
- Industrial parks.
- Libraries and museums.
- Natural gas distribution systems.
- Neighborhood and community centers.
- Parks and open space.
- Outdoor recreation areas.
- School and college buildings.
- Sewerage collection and disposal.
- Solid waste disposal systems.
- Telephone and communications.
- Transportation systems.
- Water development for multiple purposes.
- Water distribution systems.

Jobs—*Business stimulation, job creation, income expansion*
- Farm income.
- Agricultural marketing and processing.
- Rural industrialization.
- Forest production, processing and marketing.
- Exports.
- Fishing and fisheries.
- Tourism and vacation farms.
- Outdoor recreation.
- Minerals and mining.
- Retirement homes.
- Government installations and procurement contracts.

Cross cultural concerns—*Consistency of rural development with other high priority national goals*

Elimination of the causes and consequences of rural poverty.

Equal opportunity for all.

Equal access to governmental services.

Preservation of competitive private enterprise economic system.

Family farm system of agricultural production.

Opportunity for creative and satisfying life—work, culture, and leisure.

Development plans—*Environmentally acceptable designs for future growth and development based on realistic priorities*

Areawide general purpose development plans.

Functional plans.

Project plans.

Structural and architectural plans and blue prints.

National land-use planning and enforcement codes—*Locating works of man in relation to natural features*

Mapping natural features.

Determining environmentally desirable potential uses in place.

Determining appropriate location and distribution of population residences, public works, and community facilities.

Determning appropriate location of governmental installations, industrial plants, and other economic activities.

Locating and preserving wildernesses, parks, open spaces, and other desirable physical features of the landscape.

PRIORITIES AND PROCESS OF TOWN AND COUNTRY IMPROVEMENT

In terms of the preceding lengthy list of essential components of rural development there has been a lot of well-intentioned, but poorly informed, talk about priorities, payoffs, and economic efficiency in locational and development matters.

Community betterment is a value goal and a process, not a series of episodic economic events. The process is a constant flow of many intermingled streams within the varigated value system of a pluralistic society.

Town and country development is like a barrel; the various needed actions are like the staves in a barrel. With one gone, you don't have a barrel, and the resulting structure won't hold water. Topologically, the process of rural development is an endless sleeve, in which no particular step comes first, either logically, chronologically or spacially.

Town and country communities across the nation are at various stages and degrees of attractiveness and of economic prosperity and growth and decline. Some have advanced much farther than others—either in growth or in decline. Some have lagged badly and a few have forged far ahead.

A major consequence of this fact is there is no uniform prescription of priorities that applies to all rural communities. Each must begin its own additional efforts toward growth where it is; examining its current position in relation to its own total process of community improvement; determining its own currently critical factor or factors required for its own most effective next steps.

Fundamentally rural development is the building and shaping of institutions, facilities and activities that will make the community a better and and more attractive place to live, play and work.

In many town and country communities and neighborhoods, both local interest and national goals may also suggest that the community should strive to become the home of an increasing population and collectively with similar communities become the home of an increasing share of the national population and income. Acceptance of this additional aim would enable rural development to make a major contribution to domestic tranquility and general welfare in urban as well as rural areas by reversing the flight of rural people from the land.

RELATIONSHIP OF AIM TO NATURE OF PROCESS

The choice of alternative basic rationales for rural development has an important operational bearing on various aspects of rural development strategy. For example, if the chosen rationale for rural development is the betterment of conditions for the people who now live in rural areas while projecting a stable or declining population, the distribution of Federal and State funds, as between rural and urban areas should probably bear a more nearly direct relationship to relative existing population numbers in the two areas.

If on the other hand, the purpose of rural development is perceived to be to bring about a more general, and better balanced geographic distribution of national population, then the division of funds between the two areas should be titled in favor of apportioning a larger proportion to rural areas even than existing population numbers would appear to justify.

If the basic rationale for rural development is primarily for the benefit of the population that lives there now, the concept of parity or fair play comes into consideration, rural people should benefit from government activities to the full extent that non-rural citizens do. If on the other hand the purpose is so to improve conditions in rural areas that they will attract an increasing proportion of the national population to choose rural residences, then there is a justification to urge that there should be differential factors favoring rural areas and rural residents to bring the quality of life to a level higher than that in nonrural America.

Another problem with priorities, as a concept, arises from the observation that (1) people follow jobs: and (2) jobs follow people.

Census data appear to indicate that out-migration is a rather unifom gross rate from all areas, with by far the heaviest rate regardless of geographic location being among young people between 18 and 30. What does vary as between geographic areas is the gross rate of inmigration. The latter depends upon the relative attractions and economic opportunities that migrating young people perceive to be found in different parts of the country. It is the differential rates of in-migration that determines differences in the net rate of population change of different areas.

If we cannot provide an attractive, prosperous, comfortable and satisfying life in rural America, our young people who are on the move will continue to move to the city rather than to rural areas.

Viewed in this light, rural community improvement may or may not involve economic development and growth but almost invariably does.

One thing is clear, if people cannot expect to make a living in an area they cannot afford to and will not plan to move there. This means that creation of job places and economic opportunities must be given a primary role in any consideration of rural community improvement.

But jobs and the increase of per person incomes and stimulation of business activity is an instrument not the purpose of rural development. The purpose of rural development is improvement of the quality of life in Countryside U.S.A. while at the same time preserving its unique charm and style and enhancing its natural environment.

QUALITY OF RURAL LIFE

Earlier in this paper I have argued that the basic purpose of rural development is to raise the quality of life of people who live there and those who may move there in the exercise of their free choice of where to live.

Dr. James G. Maddox of North Carolina State University at Raleigh writes:

> When I try to think about the question of the various programs and activities that constitute a meaningful and comprehensive rural development program, I tend to put very heavy emphasis on activities aimed at redressing the imbalances in opportunities between rural and urban residents. The basic question is how can we most effectively and efficiently enlarge the opportunities of people living in rural areas? We need public policies to offset many of the discriminations against rural people, relative to urban people, which are inherent in the operation and growth of our economy. . . .
>
> I would put first priority on improving the education, training and health of rural people. We need greately expanded funds for personnel and facilities in these fields. Most of the expanded educational and training efforts should take place in our regular primary and secondary school system, in special MDTA-type programs in community colleges, technical institutes and specialized vocational schools, and through the Agricultural Extension Service.
>
> In all of these areas there is need for personnel which can work directly with low income, "hard-to-reach" families. Most of our primary and secondary schools for instance need people who can spend time outside of the classroom visiting families and organizing special educational activities for children who are not successfully reached by ordinary classroom teaching. The expanded nutrition program as administered by the Agricultural Extension Service is suggestive of the type of approach which is needed.
>
> The new funds for expanded medical care and health services in rural areas should be aimed at aiding the public health organizations and medical schools to develop new programs and facilities to better serve rural residents. There is great need, for example, for a large number of para-professional

personnel to bring simple medical services to rural families and to bring the sick people of rural areas to existing clinics and hospitals. In many areas, there is the need for new clinics and hospitals and for ambulance services that effectively serve rural areas.

EDUCATION

Owing to recent Court decisions in California, Texas, and elsewhere, the first a State court and the latter a Federal Court, the entire system for financing and operating general education activities is now slated for early major revision. Apparently if Congress and the legislatures do not do it the courts will.

Schools in rural areas have the most to gain from such changes as Maddox's comment indicates and as a release from reliance upon real property taxes promises.

Complete re-examination of school financing methods will bring with it re-examination of educational content, methods, and possibly organization. There is no particular evidence that the quality or nature of preschool, elementary, and secondary general education with some exceptions needs or should be different in rural America than anywhere else. In areas of extremely sparse settlement, special educational techniques and equipment are required to provide pupils in small schools with the same quality of education available in larger schools.

Other than this the major preoccupation of rural America in the upcoming reappraisal of education generally is to be alert to make certain that the principal of equality of educational opportunity is observed as between rural and urban areas in the authorizing legislation, and exercise of oversight, in that its absence might or might not be correctable in later Court suits.

GENERAL EDUCATION

High quality general educational facilities and opportunities are as essential to attracting new industry that bring new job-places as to increasing the quality of life for current residents.

The Courts appear to have established the basis for providing an equality of educational opportunity for children born and living in rural areas with those of nonrural areas. The exact nature that such provision will take and the special safeguards required to make the principle apply as between rural areas and nonrural areas will not be clear until actual legislative proposals are under consideration.

POST-HIGH SCHOOL EDUCATION

It is not now clear whether the Courts' finding with respect to equality of educational opportunity applies to "higher" education. The early cases have dealt with "common" schools.

As far, however, as quality of life in rural communities as compared to cities is concerned the same principle should be applied. This can be accomplished through the judicious location in rural areas of community junior colleges within commuting distance of all students as well as the deliberate location in rural areas of other institutions of higher learning.

There appear to be two major schools of thought with respect to expansion of higher educational opportunities. One suggests building existing institutions larger and larger. The other option is to keep existing institutions "humanly" small, and establish additional institutions spread out over the countryside, and in cities, where needed.

If the nation is to implement a population redistribution policy and expect rural communities to make room for all of their own natural increase of population plus some of that of existing metropolitan areas it follows that in locating additional institutions of higher education, a higher proportion should be located in rural areas than existing distribution of college age population would seem to indicate. This factor should be taken into account in allocation formulas in Federal and State laws setting up new educational financing systems.

HEALTH

Rural health and medical services are currently under study.

Maddox correctly places health and medical services, hospitals and health care facilities near the head of the list of attainments that must be accomplished in a well-rounded rural development program. Its importance is reflected both in its contribution to the quality of life within a community and the attractiveness of that community to income-producing and job-creating activities that provide the funds to pay for the improved health and medical services.

In addition, some reorganization of medical and health care delivery systems will be required to adequately handle the problem in sparsely settled areas and small communities.

Several nationwide health and medical legislative proposals are currently under consideration. Rural America should monitor the proposals to ascertain that special rural health needs are adequately and appropriately met.

FOOD AND NUTRITION

The Committee on Agriculture and Forestry has pioneered the implementation of a new improved and expanded national program on food and nutrition generally. Presumably needy people in rural areas should be eligible for food and nutrition programs in the same proportion as in other parts of the country. Various research studies have reported a surprisingly high incidence of rural malnutrition, particularly among children.

HOUSING

A major component of quality of life in rural communities is adequate, safe, sanitary housing within the ability of rural residents to pay for its construction, maintenance, and operation. Rural America already has more than its share of delapidated and unfit housing. Improvement in quality of housing and construction of additional units to meet needs of increased population and replacement are required. The rural housing program of the United States Department of Agriculture is expanding rapidly, but is limited to rural communities outside of cities not larger than 10,000 population. The housing programs of the Department of Housing and Urban Development appear to have reached effectively only into the building of the suburbs around larger cities.

Both programs involve grants as well as credit.

While there are some indications that the housing needs of the rural poor are still not being adequately met, the problem appears to be more in scarcity of grant funds and defects in program administration rather than in the lack of needed legislative authority. Self-help and other programs to reach lower income families should be given greater emphasis and more nearly adequate funds.

FIRE PROTECTION

Insurance rates on residential housing and industrial buildings are needlessly high in rural areas because of the lack of adequate protection from fire risks.

Under provisions of the civil defense legislation, the United States Forest Service has been assigned fire protection responsibility in case of national emergency. But the agency does not have any peacetime authorization. To make up this gap, the Forest Service should be authorized and funded to assist rural communities to establish and operate adequate fire protection and fire fighting services. Possibly, injury, rescue, and ambulance service that is needed to augment health facilities in rural communities, could be combined, as they are in some suburban communities, with improved rural fire protection systems.

LAW ENFORCEMENT

A multi-purpose Federal grants-in-aid program for local law en-enforcement is in operation and rural areas are eligible in accordance with need. In some States, the activity has been assigned in rural areas to administration by areawide general purpose multi-jurisdiction planning and development districts. In some States there are complaints that rural communities have not been allocated their fair share of such funds.

Although lawlessness has not historically been associated with rural areas as compared to cities, both a higher quality of rural life and establishment of conditions conducive to rural industrialization appear to require that adequate attention be given to providing an adequate level of law enforcement as part of the rural development effort.

CULTURAL OPPORTUNITIES

A major component of the modern concept of a high quality of life is provision of satisfying cultural and recreational opportunities and facilities.

LIBRARIES AND MUSEUMS

Federal formula grant-in-aid programs to support both construction and operation of libraries and museums are available from the Department of Health, Education, and Welfare. Rural communities are, however, somewhat handicapped from obtaining a needed share of the funds because they lack the knowledge to apply and the local funds to provide matching.

Originally initiated by Senator George D. Aiken as a rural mobile library program, this program has been expanded to nationwide operation to the disadvantage of rural communities. Two amendments to existing legislation would improve the value of the program in rural America: (1) provide for a larger Federal share of costs in rural areas, and (2) provide for sub-state geographic area allocations of available funds.

NEIGHBORHOOD CENTERS

As local schools were consolidated, and local churches were abandoned, rural people have increasingly felt a lack of easily convenient meeting places, and places that serve the many non-government functions of the old town hall and "opera house".

Existing legislation provides Federal funding for big city neighborhood centers on a project basis; but such authorization and funding is lacking for rural neighborhood centers. This gap should be eliminated.

PARKS, OPEN SPACES, AND OUTDOOR RECREATION FACILITIES

Adequate authorization to meet this need is largely available in existing law; the problem is scarcity of funds.

A growing danger to the interests of rural communities in this regard is a developing campaign to give urban areas a higher priority and allocation than rural areas for grants and for public construction for these purposes.

Moreover, the outdoor recreation programs of Farmers Home Administration and Soil Conservation Service have had some tough sledding over the years. These efforts to provide adequate outdoor recreation facilities in rural communities should be encouraged and expanded; not criticized and starved for funds.

Early acquisition of land needed for open space and local parks as provided in an attractive land use plan for the growing community is a higher priority matter than it appears on the surface at the beginning of the development period. Later on, after growth has taken place, the need for open space and parks will become more apparent but if all the needed land is already occupied it will be too late to correct the mistake.

BEAUTIFICATION OF NATURAL AND PUBLIC AREAS

Some of the worst eye-sores in the nation are in rural areas, and this is not confined entirely to automobile junk yards and billboards.

Greenthumb, a part of the Mainstream program, combines beautification with part-time employment for the aged in rural areas; this program and the proposed older citizens conservation corps would help fill the gap as would specific expansion into rural areas of a special main street and natural landscape beautification effort.

ENVIRONMENTAL QUALITY

The environmental quality component of rural development has several aspects.

The first of these, of course, relates directly to quality of life in rural communities.

Another relates to the preservation and enhancement of natural environment as a means of making a rural community attractive to tourists, retirees, and locating businesses.

And the third aspect is the sheer threat of extinction to many small rural communities posed by the high cost of treatment facilities required to meet air and water quality control standards. Obviously rural America must for its own sake and that of the national interest come up to national environmental quality control standards, but doing so is often so expensive that the community's only industrial base is lost because the heavy cost of installing control devices is prohibitive. This is not just a feedlot and broiler house problem but relates to cheese factories, paper pulp plants, and industry generally.

SOIL AND WATER CONSERVATION

The heaviest carrier of water pollution is sediment.

Moreover, neither good economics nor good esthetics suggest that soil erosion and water loss should be allowed to occur unchecked. The nature of the existing program is adequate for the purpose, but in a period of rapidly rising costs this means increased appropriations to stay even.

WATER DISTRIBUTION SYSTEMS

Existing programs are adequate in scope and nature: but are starved for grant funds for use with projects where attainment of rural development objectives will not allow the project to be entirely self-financing on a completely repayable basis. Department of Agriculture programs, except for shortage of grant funds, are adequate for open country, and villages, towns and cities up to 5,500 population. A similar program of Department of Housing and Urban Development is available in larger towns and cities.

A dependable water system of adequate volume and quality is essential to successful community development.

Loans and grants are also provided in designated rural areas by the Economic Development Administration of the Department of Commerce.

The three agencies have developed a joint application form, Form 101. Communities under 5,500 population apply at Farmers Home Administration, Department of Agriculture. Larger communities apply at Housing and Urban Development. If a community is within a depressed area, the appropriate agency will refer the application to the Economic Development Administration, Department of Commerce, to see if loans and grants are available for the proposed project from that agency.

SEWER SYSTEMS IN TOWN AND COUNTRY

An adequate and reliable sewage disposal system is required for industry. It contributes to quality of life in the community and is essential to comply with State-Federal water quality standards.

Loan and grant assistance are provided by the Departments of Agriculture, Commerce, and Housing and Urban Development, and by the Environmental Protection Administration.

These four agencies have developed a common preliminary application form, Form 101, similar to the water system procedures.

Programs of the Department of Agriculture, for rural communities up to 5,500 population, and of the Department of Housing and Urban Development and the Environmental Protection Agency appear to be adequate in scope and nature but require too heavy a local or State matching share. Pending legislation on water quality if enacted would relieve most of the waste water treatment problem, if the Federal matching share were increased in rural areas. The other two programs continue to be starved for capital grants funds in the same way that the water distribution system is handicapped by insufficient funds. In the Appalachian Region, and in designated economic development areas but not elsewhere, a larger Federal share grant is available for water and sewer projects in rural areas.

SOLID WASTE DISPOSAL MANAGEMENT

Rural communities benefit from the only specific solid waste management loan and grant program of the Federal government. But the program is available only in open country and in villages, towns, and small cities smaller than 5,500 population. Moreover, the solid waste disposal program, along with the water and sewer programs, is, also, short on grant funds required to extend the loan program to many rural counties and communities where it is most needed both to improve the quality of life in the area and to meet air and water pollution prevention standards.

While rural areas benefit from the only Federal program of loans and grants for inauguration of solid waste disposal systems, this has been a relatively small operation and most of rural America is suffering severely from a "waste system" gap.

Many rural villages and towns face being wiped out by enforcement of water and air quality standards, if they are not enabled to build the areawide solid waste disposal systems required to prevent intolerable pollution. Many cannot now afford the expensive systems and facilities that quality control standards require.

AIR QUALITY

While most rural areas do not share the air quality control problem as severely as do more crowded city areas, rural communities that do have air quality problems often have severe one that are less serviced by existing Federal and State programs. Some rural businesses and farms may be severely affected.

WATER QUALITY

Unless adequate provision is made for financial assistance to many rural communities, the enforcement of national water quality standards may pose a major threat to successful rural development in many areas, both with respect to local farming, industrial and other business enterprises and with respect to the rural community as a whole.

WELFARE

A higher percentage of the population of rural communities is poor or aged than is true in suburban or central city communities. Welfare standards in many rural areas are low and in many States programs for the aged have not been activated as fully in rural areas as in cities.

WELFARE ASSISTANCE AND SERVICES

A major reform of the existing welfare system, including the working poor, is currently under active consideration.

The implications of its benefits to successful rural development are not all clear but certainly the establishment of uniform, national welfare standards are considered by many as a high priority essential to rural development. Careful attention to adaptation of the proposed reforms to rural conditions of work force and life is essential.

Containing within its population a disproportionately high percentage of poor and older Americans, Countryside USA stands to gain from Federal and State welfare grants that provide added income to town and country communities, as well as alleviating suffering of those who receive them. Rural communities appear to have been unfairly treated in allocation of job places in the new Public Service employment program. This should be corrected if such legislation is enacted.

RURAL TRANSPORTATION FOR PEOPLE

Except for a few small experimental projects, most of rural America is almost completely devoid of adequate transportation for the poor and aged who are unable to own and drive privately owned automobiles. While the need for urban mass transit receives a great deal of attention and discussion, if inadequate funding, rural mass transportation, which in a real sense is even more direly required, is rarely mentioned.

The plight of the rural poor and rural aged from the lack of adequate transportation within their means is a major gap in national welfare that should be closed. Because of the great distances and sparse settlement involved, it is doubtful if such transportation can ever be self-supporting, but it must be provided, for the sake of the humanity involved.

To require that the poor and the aged be dependent for transportation to go where they want to go, or have to go, upon the charity of relatives or friends is to relegate them to an isolated and meager existence hardly consistent with modern ideas of a high quality life.

AGED

Programs for the aged are underway in rural America but no statistics are available to indicate the extent of need that is being met.

Certainly some of it will be met by a welfare reform program if one is adopted. Many of the programs of the Administration on the Aging are experimental and demonstration projects that are terminated at just about the time they are becoming successful. The result is neglect and inattention to the problems of the rural aged. Adequate programs to assist the aged will be proportionately of more help in rural than urban areas, if distributed fairly.

Streets and Traffic

Outmoded street patterns and traffic snarls are a major cause of the rising diseconomies of large cities.

Lack of adequate streets and proper provisions for traffic can also become a growing concern of rural development and quality of life in rural communities. Like provision for open spaces, preparing for needed street spaces and layout, must be a matter of careful foresight and exercise of strict self-discipline, in an orderly process of rural development.

Preplanning for needed streets should properly find its place in the master land use and physical features plan, and provision for timely construction and traffic control must be made in the areawide general purpose development plan.

The Department of Transportation now makes a little money available for traffic and street improvement, planning, and some demonstration project development and operation. This program should be expanded in rural areas. Beyond its obvious relationship to growth of business and industry in an area, street layout, planning, and construction and traffic management have a major long-term, almost irreversible effect upon the quality of life that is possible in a rural community.

Small cities and villages because of poor street layout, are often characterized by as hazardous driving conditions and as uneconomic and unpleasant traffic jams, as are larger cities. In orderly rural development this should be avoided.

Rural Poverty, Minority Groups, Aged, and Handicapped

Owing to decades of population and capital drain, and other historical forces, Countryside USA is the home of a disproportionate share of the Nation's poor, aged, handicapped, retarded, and of those disadvantaged by unique denials of equal opportunity because of race, nationality background, religion, or other stigmata of minority status. Rural development cannot be considered successful until the last remaining vestige of the causes of this situation have been remedied. The remedies of these adverse conditions in rural America are found in all of the actions outlined previously but also require special additional remedies if the many interrelated complex causes of rural poverty and its consequences are to be eradicated.

The President's National Advisory Commission on Rural Poverty reporting in 1967 said:

> This report is about a problem which many in the United States do not realize exists. The problem is rural poverty. It affects some 14 million Americans. Rural poverty is so widespread, and so acute, as to be a national disgrace, and its consequences have swept into our cities, violently.
>
> The urban riots during 1967 had their roots, in considerable part, in rural poverty. A high proportion of the people crowded into city slums today came there from rural slums. This fact alone makes clear how large a stake the people of this nation have in an attack on rural poverty.
>
> The total number of rural poor would be even larger than 14 million had not so many of them moved to the city. They made the move because they wanted a job and a decent place to live. Some have found them. Many have not. Many merely exchange life in a rural slum for life in an urban slum, at exorbitant costs to themselves, to the cities, and to rural America as well.

Even so, few migrants have returned to the rural areas they left. They have apparently concluded that bad as conditions are in an urban slum, they are worse in the rural slum they fled from. There is evidence in the pages of this report to support their conclusion.

This Nation has been largely oblivious to these 14 million impoverished people left behind in rural America. Our programs for rural America are woefully out of date.

In contrast to the urban poor, the rural poor, notably the white, are not well organized, and have few spokesmen for bringing the Nation's attention to their problems. The more vocal and better organized urban poor gain most of the benefits of current antipoverty programs.

Until the past few years, the Nation's major social welfare and labor legislation largely by-passed rural Americans, especially farmers and farmworkers. Farm people were excluded from the Social Security Act until the mid-1950's. Farmers, farmworkers, and workers in agriculturally related occupations are still excluded from other major labor legislation, including unemployment insurance programs, the Labor-Management Relations Acts, the Fair Labor Standards Act, and most State workman's compensation acts.

Because we have been oblivious of the rural poor, we have abetted both rural and urban poverty, for the two are closely linked through migration. The hour is late for taking a close look at rural poverty, gaining an understanding of its consequences, and developing programs for doing something about it. The Commission is unanimous in the conviction that effective programs for solving the problems of rural poverty will contribute to the solution of urban poverty as well.

The facts of rural poverty are given in detail later in this report. They are summarized in the paragraphs that follow.

Rural poverty in the United States has no geographic boundaries. It is acute in the South, but it is present and serious in the East, the West, and the North. Rural poverty is not limited to Negroes. It permeates all races and ethnic groups. Nor is poverty limited to the farm. Our farm population has declined until it is only a small fraction of our total rural population. Most of the rural poor do not live on farms. They live in the open country, in rural villages, and in small towns. Moreover, contrary to a common misconception, whites outnumber nonwhites among the rural poor by a wide margin. It is true, however, that an extremely high proportion of Negroes in the rural South and Indians on reservations are destitute.

Hunger, even among children, does exist among the rural poor, as a group of physicians discovered recently in a visit to the rural South. They found Negro children not getting enough food to sustain life, and so disease ridden as to be beyond cure. Malnutrition is even more widespread. The evidence appears in bad diets and in diseases which often are a product of bad diets.

Disease and premature death are startingly high among the rural poor. Infant mortality, for instance, is far higher among the rural poor than among the least privileged group in urban areas. Chronic diseases also are common among both young and old. And medical and dental care is conspicuously absent.

Unemployment and underemployment are major problems in rural America. The rate of unemployment nationally is about 4 percent. The rate in rural areas averages about 18 percent. Among farmworkers, a recent study discovered that underemployment runs as high as 37 percent.

The rural poor have gone, and now go, to poor schools. One result is that more than 3 million rural adults are classified as illiterates. In both educational facilities and opportunities, the rural poor have been shortchanged.

Most of the rural poor live in atrocious houses. One in every 13 houses in rural America is officially classified as unfit to live in.

Many of the rural poor live in chronically depressed poverty-stricken rural communities. * * *

The community in rural poverty areas has all but disappeared as an effective institution. In the past the rural community performed the services needed by farmers and other rural people. Technological progress brought sharp declines in the manpower needs of agriculture, forestry, fisheries, and mining. Other industries have not replaced the jobs lost, and they have supplied too few jobs for the young entries in the labor market. Larger towns and cities have taken over many of the economic and social functions of the villages and small towns.

The changes in rural America have rendered obsolete many of the political boundaries to villages and counties. Thus these units operate on too small a scale to be practicable. Their tax base has eroded as their more able-bodied wage earners left for jobs elsewhere. In consequence the public services in the typical poor rural community are grossly inadequate in number, magnitude, and quality. Local government is no longer able to cope with local needs.

As the communities ran downhill, they offered fewer and fewer opportunities for anyone to learn a living. The inadequately equipped young people left in search of better opportunities elsewhere. Those remaining behind have few resources with which to earn incomes adequate for a decent living and for revitalizing their communities.

For all practical purposes, then, most of the 14 million people in our poverty areas are outside our market economy. So far as they are concerned, the dramatic economic growth of the United States might as well never have happened. It has brought them few rewards. They are on the outside looking in, and they need help.

Congress and State legislatures from time to time have enacted many laws and appropriated large sums of money to aid the poverty stricken and to help rural America. Very little of the legislation or the money has helped the rural poor. Major farm legislation directed at commercial farms has been successful in helping farmers adjust supply to demand, but it has not helped farmers whose production is very small. And because the major social welfare and labor legislation has discriminated against rural people, many of the rural poor—farmers and farmworkers particularly—have been denied unemployment insurance, denied the right of collective bargaining, and denied the protection of workman's compensation laws.

This Commission questions the wisdom of massive public efforts to improve the lot of the poor in our central cities without comparable efforts to meet the needs of the poor in rural America. Unfortunately, as public programs improve the lot of the urban poor, without making similar improvements in conditions for the rural poor, they provide fresh incentive for the rural poor to migrate to the central cities. The only solution is a coordinated attack on both urban and rural poverty.

The Commission has endeavored to chart a course to wipe out rural poverty. Emphasis has been placed on the problems of poor rural people, and problems of impoverished rural communities. Changes in existing programs and the development of new programs are considered. Action on the immediate needs of the rural poor is emphasized, as well as action to change the conditions which make them poor. Human development and the physical resources needed for this development are stressed. Improving the operation of the private economy in order to provide rural people with better opportunities for jobs and a decent living is emphasized.

It is the firm conviction of the Commission that the complexity of the problems of rural poverty preclude the success of a single program or approach. Programs addressed to immediate needs will not erase the underlying conditions creating and perpetuating rural poverty. Programs addressed to these conditions will not immediately help the poor. The Commission's recommendations complement and reinforce one another. In total, the recommendations will go far to solve the problems of rural poverty.

The Commission is convinced that the abolition of rural poverty in the United States, perhaps for the first time in any nation, is completely feasible. The nation has the economic resources and the technical means for doing this. What it has lacked, thus far, has been the will. The Commission rejects the view that poverty, in so rich a nation, is inevitable for any large group of its citizens.

(1) The Commission recommends that the United States adopt and put into effect immediately a national policy designed to give the residents of rural America equality of opportunity with all other citizens. This must include equal access to jobs, medical care, housing, education, welfare, and all other public services, without regard to race, religion, or place of residence.

(2) The Commission recommends, as a matter of urgency,

that the national policy of full employment, inaugurated in 1946, be made effective. The need is even greater in rural areas than in urban areas. The Commission urges that this need be given priority in legislation and appropriations. To the extent that private enterprise does not provide sufficient employment for all those willing and able to work, the Commission believes it is the obligation of government to provide it.

(3) The Commission believes that the United States has the resources and the technical means to assure every person in the United States adequate food, shelter, clothing, medical care, and education and, accordingly, recommends action toward this end. Millions of rural residents today are denied the opportunity of earning a living. The Commission believes it is the obligation of society and of government, to assure such people enough income to provide a decent living. In order to achieve this, basic changes are recommended in public assistance programs.

In some rural areas of the United States there is not only malnutrition but hunger. Existing public programs for food distribution to those in need have failed to meet the need. The Commission recommends that the food stamp program be expanded nationwide and that eligibility be based upon per capita income. Food stamps should be given to the poorest of the poor without cost.

(4) The Commission recommends a thorough overhauling of our manpower policies and programs, particularly including public employment services, in order to deal effectively with rural unemployment and underemployment. The Commission deplores the fact that the richest, most powerful nation in history compels millions of its citizens to engage in aimless wandering in search of jobs and places to live. The recommendations of the Commission aim at a comprehensive and active manpower program which can be an effective weapon against poverty.

(5) The Commission recommends extensive changes in our rural education system, ranging from preschool programs to adult education. Rural schools must be brought up to par with urban schools. The educational system must reclaim youth and adults who drop out before obtaining sufficient education to cope with the complexities of today's world. An educational extension service is recommended to help teachers and schools meet the needs of all students.

(6) The Commission is deeply concerned at the evidence of disease and the lack of medical care in rural areas. The Commission therefore, recommends rapid expansion of health manpower—both profession and subprofessional—in rural areas, and the establishment of Community Health Centers which can focus on the health needs of rural people.

(7) The Commission recommends development and expansion of family planning programs for the rural poor. Low in-

come families are burdened with relatively numerous children to feed, clothe, and house. They are prepared psychologically to accept family planning. As a matter of principle, they are entitled to facilities and services to help them plan the number and spacing of their children.

(8) The Commission recommends immediate action to provide housing in rural areas by public agencies and puts special emphasis on a program providing rent supplements for the rural poor. The Commission further recommends that a single unified housing agency be made responsible for housing programs in rural areas and that credit terms be made more responsive to need. The Commission also urges a substantial increase in appropriations for Indian housing.

(9) The Commission believes that the overlapping patchwork of districts, organizations, plans, and programs for development impedes the economic development of lagging and poverty-stricken areas and regions. It, therefore, recommends the creation of multi-county districts, cutting across urban-rural boundaries, to cooperatively plan and coordinate programs for economic development. To finance development, the Commission recommends Federal grants, loans, and industrial development subsidies, as well as State and local tax reform.

(10) The Commission believes that without citizen responsibility, which includes the active involvement and participation of all, antipoverty and economic development programs will flounder. Therefore, the Commission recommends that increased attention be given to involving the poor in the affairs of the community, on both local and areawide levels. Specific suggestions are made for improving the effectiveness of the antipoverty programs of the Office of Economic Opportunity and the Department of Agriculture.

(11) The Commission recommends that the Federal Government re-examine its commercial farm programs in order to make sure that adjustments in the supply of farm products are not made at the expense of the rural poor. Public programs are recommended to enlarge small farm operations and to retire submarginal land from commercial production, but with safeguards protecting the interest of low income families living on submarginal land. The Commission also recommends that the development of additional farmland with public funds cease until the nations food and fiber needs require this development.

(12) Without effective government at all levels, the recommendations in this report will not result in the eradication of rural poverty. The Commission recommends changes in program development and administration to facilitate and encourage the effective involvement of local, State, and Federal governments.

Following 3 years of economic decline and growing unemployment, the rural poverty situation is worse now than when the Commission made its report. Few of its recommendations have been put into operation, and none have been fully implemented.

RURAL INDUSTRIALIZATION—JOBS—BUSINESS—INDUSTRY

The ability and desire of rural communities to attract additional industry is not uniform nationwide.

In many parts of the nation, local development groups and private firms are already active, and moderately successful, in expanding sales of existing businesses and in bringing new industry and business into small towns and cities. A new Economic Research Service study in Pennsylvania shows industry in small places growing more rapidly than larger ones.

Many large national and international corporations, as well as foreign investors, are increasingly building branch plants in the American countryside. This was true in the recent past. But there are some indications that the trend may have been slowing down during the past two years of inflation and increasing unemployment. Studies of new job creation in growing rural areas indicate more new jobs from expansion of existing plants rather than from entirely new plants.

Need National Full Employment Without Inflation

A rapid rate of national economic growth is essential to successful town and country development.

Rural America grows more rapidly than the national rate in an expanding economy; more slowly than the national rate in a sluggish economy. Successful town and country development is specifically and uniquely dependent upon a rapid non-inflationary rate of national economic growth.

But, if our goals of town and country economic development are to be reached in most of rural America; an essential requirement, in addition to an expanding national economy, is significant specific effort to expand jobs and adequate income-earning opportunities in rural areas that will support enhancement of the environment and facilities and services required for a higher quality of life.

Basic Industry

While a large proportion of the productivly employed people in any community are engaged and can, if purchasing power is present, earn good incomes in selling products and services to one another, a community cannot maintain or improve itself by this means alone. Community improvement can occur only through sustained growth from increasing its output of goods and services to sell profitably outside the area, expanding local attractions to which people with income to spend will be attracted from outside the area, or from trading ability and returns from wise investment outside the area of past savings.

The increase in these primary sources of income and jobs will generate other income and jobs from the performance of internal services within the area.

Rural Industrialization Potentials

While there are a great many things a community can do to improve itself internally, the most promising way to increase jobs and income for greater growth and prosperity lies in expansion of primary economic enterprises.

PARITY FAMILY FARM INCOME

In most town and country communities, the basic requirement for prosperity is good and stable farm income.

Basic to a thriving rural community is a financially sound, successful and productive family farm economy.

Continuation and improvement of Federal farm income programs rank along with implementation of the national full employment policy as a *sine quo non* of successful town and country improvement and development. Most rural communities cannot prosper or pay the continuing costs of development and needed high quality community facilities and services if farm income is chronically depressed or falling.

The extent of community dependence on healthy prosperous farming conditions varies, of course, from area to area. But the quality of life in rural America is still uniquely associated with good and stable farm family net income.

But with labor-saving farming methods and the telescoping of time and distance by new modes of communication, better rural roads, and more rapid transportation, even a successful agriculture is seldom sufficient to sustain a modern rural community that can support the improved facilities and services required by the farm families and other rural residents of the area.

Other primary economic activity, in addition to farming, is needed.

AGRICULTURAL MARKETING AND PROCESSING

An important source of increased income and jobs in many town and country areas is the location, close to the source of raw materials, of new plants and firms engaged in the processing and marketing of farm commodities.

The economic factors bearing upon the location of such plants should be examined and those which can be manipulated by government to favor rural areas should be identified and implemented.

FOREST PRODUCTION, PROCESSING, AND MARKETING

A major, largely untapped source of additional jobs and income in rural America is improved forestry on small privately-owned tracts. The Federal government should formulate and put into operation a nationwide program of technical and financial assistance to small forest owners. The level of management and productivity of National Forests should be increased and a special program to provide technical assistance to forest products processing and marketing firms should be developed.

TOURISM AND VACATION FARMS

Promotion of tourism is by now a fairly well developed and financed art. But the promotion of vacation farms is a relatively untapped source of additional income for rural areas and a healthful and enjoyable experience for urban families that has not been made conveniently available to non-rural people.

OUTDOOR RECREATION ENTERPRISES

Private and public outdoor recreation areas, facilities, and enterprises can provide increased income and jobs in rural areas as well as improved quality of life. Moreover, access to such recreation opportunities is important to attracting other forms of business and industry to an area. The programs of the Bureau of Outdoor Recreation, of the Soil Conservation Service, of Farmers Home Administration, of Cooperative Federal-State Extension Service, and of the Forest Service have not been adequately supported and funded. Moreover, a new program of loans to those outdoor recreation enterprises not eligible for the existing Farmers Home Administration program should be put into operation. The expansion of recreational functions of watershed projects and resource conservation and development projects of Soil Conservation Service should be authorized and more fully funded.

MINERALS AND MINING

This segment of the economy, like farming, has small promise for increasing job-places in rural areas. However, no local and rural area should overlook the possibility of new income from these sources.

MARITIME

Restoration of health to the United States maritime industry would add a few job places and income to rural communities along the coast lines, around the Great Lakes, and on the Mississippi, Arkansas and Ohio Rivers.

GOVERNMENT INSTALLATIONS AND PROCUREMENT CONTRACTS

Fully adequate attention has not been given to the implications for rural America of the fact that the fastest growing sectors of occupational classifications are government and services. The first is politically determined, and much of the second is a secondary derived demand, dependent upon someone else being both willing and able to pay for the service from income earned somewhere else.

Congress has already acted in Section 901(b) of Title IX of the Agricultural Act of 1970 to direct the location of Federal installations into areas of less dense population. Apparently no State has taken similar action.

An examination of the President's report on the first year's implementation of the new directive indicates three weaknesses in the law:

1. The very strong bureaucratic and other pressures to frustrate the aim of the legislation. These included bureaucratic habit, restrictive location-cost accounting calculations, and the ability of land owners and business interests in the more densely populated areas to put political pressure on decision makers;

2. The heavy use made of the loophole in the words "insofar as feasible" of the law; and

3. A tendency on the part of administering agencies, probably by oral directive from the Office of Management and Budget, to construe the law to have established (1) a dicotomy between metropolitan and nonmetropolitan rather than upon (2) a process of making choices

from along a continuum giving preference to areas of less dense over areas of more dense population (as required by law) on a case by case basis. Additional legislation can hardly change the first of these; what is required is greater and more effective efforts by representatives of rural communities and a resolve by administrative officers to obey the law.

Amendments to the legislation can, however, correct the latter two. The words "insofar as feasible" should be stricken from the law.

The language requiring preference in location of Federal installations in areas of less dense over areas of more dense population should be clarified and the legislative intent made clear that the choice is not simply between metropolitan and nonmetropolitan places, regardless of size.

PROFESSIONAL, TRADE, AND SERVICE

Just as it was once true that commerce follows the flag, it is now true that the income and opportunities for merchants, lawyers, doctors, television repairmen, and other professional, trade and service firms and employees follows the increase of income from expanded primary economic enterprises, of which one that has major potentialities are government installations and rural industrialization.

RETIREMENT HOMES

An increasing number of retired older Americans are moving to town and country in the United States as well as other nations. Increased income and job-places in rural communities could result from a promotion and encouragement of this population shift and from the provision of truly civilized living conditions and a higher quality of life for older Americans in rural areas. Several examples of successful rural development in the past decade was largely grounded on making attractive opportunities for retirement living in normal rural communities.

Rural Industrialization Process

Farm income can be increased, but farming will apparently provide incomes for a continuing decreased number of farm people. There is adequate room for location of a higher proportion of agricultural marketing and processing plants and offices in countryside U.S.A. Improved forest production and harvesting, particularly on small owner tracts, and new forest product manufacturing and fabrication plants could provide additional job-places and increase income. Promotion of farm vacations and vacation farm, tourism, and outdoor recreation enterprises can increase income and job places that can benefit from an expanding national market based upon increase leisure time, higher personal incomes, and greater mobility.

Minerals and mining promise declining job-places even if income from these sources should increase.

Increased income and job places in town and country from provision of agreeable, satisfying, convenient homes for an increasing number of an increasingly affluent population of retired older Americans is promising.

Correction of debilitating factors and increased subsidies of the maritime industry and trade expansion could open up additional job places in a few rural areas.

While there is no research-based scientific evidence on the aggregate potential of the above sources of increased town and country income and job-places, it is doubtful, even when viewed optimistically, if they add up to enough to bring about a net urban to rural population migration that would reverse the rural-urban net outflow that has characterized most of our national history.

Two Federal reports are particularly useful in understanding and analyzing the essentials of more rapid rural industrialization:

1. "How Much Can We Influence the Growth of Industry in Rural Areas" prepared under contract by the Fantus Company for the United States Department of Agriculture, October 1970; and
2. "How to Improve Your Community by Attracting New Industry" prepared and published by the Economic Development Administration of the United States Department of Commerce, March 1970

Some of the following sections draw heavily upon these reports, only direct quotations are so indicated.

Efforts to balance our population growth geographically must also involve expansion of industry into the open country and villages and into small cities in the 2,500 to 50,000 population bracket. Town and country America offers an exceptionally wide and, in many ways attractive, range of rural locational situations. Many, however, will fail to attract the attention of industry and probably can never do so unless Federal and State resources are used more effectively than in the immediate past.

The expansion of industry into rural areas does not provide the sole answer to reversing migration trends as the earlier listing indicates. Moreover, manpower requirements for industrial output are dropping. However, rural industrialization can probably contribute more than any other single policy to achieving a better balance between social costs and economic investments in rural areas.

ATTRACTING INDUSTRIAL LOCATION

The most persuasive location arguments any community can deliver to a prospect are those which show how much extra profit can be made in one location rather than any other.

Both the professional literature and the public hearings of the U.S. House of Representative Committee on Banking and Currency and of the Senate Committee on Government Operations attest to the almost irresistable strength of market forces that cause industry to locate in areas of already heavy population density.

The Fantus Report summarizes its recommendations in this regard as follows:

> "Industry's search for locations and rural areas search for industry requires two types of programs: those which generate data needed to compare and screen a wide range of community sizes and geography, and the provision of eco-

nomically sound community aids which can be delivered when needed.

Federal and State resources should be used to develop these high priority programs:

Research on location opportunities specific to community size and geography and documented with industry cost data.

Systematic up-to-date publication of employment, and earnings and other labor market data for an adequate number of smaller labor markets (in rural areas on basis of "community-range" community delineations instead of by county units).

Equalization of family welfare payments among States.

Selective tax policies to control expansion of industry inside and outside congested areas.

A re-evaluation of area concepts and statistical practice to provide data more appropriate to the formulation of rural.

Additional credit instruments to provide 100 percent public-private financing of plants in all rural areas.

No existing Federal, and few State programs, are adequate in major respects to develop favorable industrial locational decisions in most rural areas.

The principal needs according to the Fantus Report are:

(a) more effective procedures to develop plants sites,

(b) tax credits or other more direct incentives for in-plant training of employees,

(c) incentives for installing anti-pollution equipment,

(d) a system to communicate the variety of amenities and life styles to be found in town and country communities,

(e) interim subsidies to compensate for higher cost of transportation carriers in regions of traffic imbalance, and

(f) special financial incentives to private business and industry to locate in "remote" areas.

On the basis of demand in the recent past, planning for industry in Countryside USA should provide at least 30,000 to 40,000 acres of new plant sites every year and a goal to attract at least 1500 new industrial plants per year.

Industrial parks

Rural communities must encourage the development of industrial plant sites, through fully prepared and serviced industrial parks or otherwise. A potential locator will not usually await development time but will look elsewhere. Rural locations have lower land costs in their favor; but non-rural sites often already have adequate water and sewer facilities, paved access roads, and immediate transportation in form of highways, railroad sidings, and convenient air freight and air express airports. Rural communities must prestock their industrial parks with similar immediately available facilities. Often this is not easy for a rural countryside and its villages, towns, and small cities to do from their own private funds and local tax base.

If Federal and State Governments seriously intend to give highest priority to rural revitalization the preceeding list of industrialization prerequisites must be provided by Federal and State credit and investment incentives. Moreover, immediate access to funds to make required investments must be made available by reducing to a bare necessary minimum the time and red tape required to process applications, obtain required approvals, and have the funds in hand. A way must be found to translate available Federal and State loans and grants with swift response to opportunity to acquire a new plant.

It has sometimes been said "If a tree falls in the forest and no one hears it, it didn't make a noise." The search for new industrial plants is a highly competitive undertaking. City centers and ghettos as well as rural areas want and need the income and job-places provided by new industrial plants. In addition, most relatively high income and well educated suburbs and the interurban spaces of megalopia have yet seen no reason, from their own standpoint, not to compete fiercely for new industry with a competence and a locally well-financed staff seldom available to communities either in rural America or in the ghetto.

One essential component of the effort to give "highest priority" to "revitalization and development of rural areas" is Federal and State subsidy, for local rural industrial development search, research, and promotion, to establish and operate a sophisticated industrial development organization, prepared to talk specifics with plant locators of industrial firms seeking sites for new plants.

Labor Supply.—Of the over 1500 items commonly listed on plant locators check lists probably the first checked out in most instances is a good, stable, trainable, and productive labor supply. This is not simply, nor preeminently, a willingness to accept "reasonable" low wages, although that too is considered.

The actual fact-finding and determination with respect to labor supply is more complicated. Four major considerations are involved:

1. Determination of the intensity of the desire of the community for industrial development;
2. Quality of life available for the current and prospective labor force;
3. Easy availability of reliable and up-to-date information on volume and type of available labor and the cultural and social environment of the community, and
4. Availability of effective and productive labor training programs.

Desire to develop.—The Honorable John Duncan, successful Development Director of Southern Railroad, lists first in importance the community's desire to develop and has prepared an attractive movie to illustrate and encourage it.

No one can develop a community that does not want to develop itself. Except for Federal, State and local educational programs there is little the government can do on this point except to avoid wasteful investments in areas that show no organized desire toward demonstrated effort for community betterment. Private plant locators already systematically avoid such communities.

Living conditions.—Fortunately many of the same prerequisites of successful rural industrialization from a business standpoint, are as indicated in the preceding chapter, the same high quality community facilities and services required to enlarge the opportunities of people living in rural areas, correct the imbalances in opportunities between rural and urban residents, and raise their quality of life to the highest standard possible under the present state of the arts.

These include roughly in order of importance, the school system; health facilities and services; child-day care centers and kindergartens; water, sewer, and other waste disposal systems, employment and welfare compensation and services for older Americans and the lame, the deaf, the blind, and other disadvantaged, handicapped, retarded and disabled; beautification of public and natural areas; cultural and social amenities and outlets, including recreation, neighborhood and community centers, theaters, libraries, museums, and the like; open space; law enforcement; air and water quality; housing; electric power; convenient economical transportation of older and low income as well as other residents; fire protection; nearby higher education and advanced technical vocational training institution; and higher quality telephone and communication facilities.

Reliable, up-to-date, labor market data.— The Fantus Report places great importance on this aspect of rural industrialization:

> The plant locator must have available reliable and up-to-date information which tells him where people earn their living, how much they earn, and which industries provide this employment. The plant locator needs this information for hundreds of areas now considered too small by present Federal and State standards to be gathered and reported. This is a major handicap to rural America in attracting industry.
>
> In stating its case for more and better local labor market information, industry realizes that it is asking for program which will require massive Federal expenditures. These expenditures are justified, management believes, because present Federal and State policies unintentionally discriminate against hundreds of rural communities and counties.
>
> This discrimination has three consequences. The most immediate is that many otherwise fine communities are bypassed early in the location search screening process because vague or ill-defined labor market information is available for comparison purposes. The more important longer range consequence is the denial of economic opportunity to residents of such areas. The final result is a forced flow of labor to our major cities.
>
> The difficulty in comprehending what is needed in the way of more and better information on our manpower resources is pointed up by a few statistics. To begin with, there are 3,134 counties and county equivalents in the 50 States.
>
> Some of these counties contain little more than sagebrush and sand. About 300 have fewer than 5,000 residents, almost 600 are in the 5,000 to 10,000 population bracket. The 10,000 to 25,000 population group has 11,000 counties. The remaining 1,100 counties each contain more than 25,000.
>
> Industry, of course, is more inclined to think of a community, rather than a county, as being the focal point of functioning labor market. This is because people tend to ignore county lines when they seek employment. This complicates

> the collection of useful labor statistics, because there are 5,100 communities across the Nation that are in the 2,500 to 50,000 population bracket alone.
>
> Each of these places has an independence of economic character and a self-sufficiency of labor supply that vary with its distance from larger cities and the size of these cities. Even many of those which are technically suburbs are not really part of a big city in terms of their labor market characteristics. But for the most part official labor market statistics continue to be collected on the basis of county units.
>
> Local labor market statistics which have the widest possible circulation are funded by the Federal government and collected by the individual states. Collection of labor statistics is extremely expensive, however. For this reason each State is now allowed considerable autonomy in expending Federal funds.
>
> In an effort to keep costs within bounds of labor market information of other kinds is published for certain areas. The utility of this information is very limited and some of it costs far too much in terms of the help it gives communities.
>
> As one example, the Labor Department's Smaller Communities Program involves an estimated expenditure of $35,000 per county.
>
> What results is essentially a snapshot of conditions at the time the survey was made. Thus far, some 350 counties in 19 states have been covered since the program was instituted in 1964.
>
> The President and Congress should make available necessary funds which will permit the 50 states to initiate and continue the systematic publication of employment and earnings data for the maximum number of substantially independent labor markets in the nation.
>
> Studies are needed to identify those labor markets which function as viable economic centers. One approach which may meet the needs of the site locator in the smaller population states is the Functional Economic Area (FEA) concept proposed in staff studies made for the Bureau of Census. In the larger States this concept would have to be modified.
>
> Data collected from employers in each labor market area should be comparable with that already distributed monthly in government publications, such as *Employment and Earnings and Area Trends in Employment and Unemployment.* This includes work force of the area, unemployment, employees on non-agricultural payrolls by industry division, gross hours and earnings of production workers on manufacturing payrolls by industry division or groups of industries, and labor turnover rates.

Special rural industrialization research.—Another disadvantage of rural communities in their search for new industry is the lack of location research. The Fantus Report states:

> Smaller communities must have available to them a means for translating the concept of economic growth into highly

selective location research, specific to community size and geography, and conveying specific cost information to expanding industry. . . .

On the small scale it has been utilized to date, such research is expensive to perform. Thus far, only a small handful of State agencies have been able to fund and implement research on a scale beneficial to all of their communities. The same has been true for utility companies. Few communities, except the very larger ones, have utilized this sophisticated instrument of industrial development.

Thus far, the industry research programs funded under the Technical Assistance provisions (Title III) of the Public Works and Economic Development Act of 1965 have been mainly of two types: 1) feasibility or preinvestment studies for a single industry, and 2) those oriented toward utilization of some local raw material. Numerous restrictive conditions are attached to this research. These conditions affect the number of communities which have qualified or might qualify for this Technical Assistance. Most observers would have to conclude that research funded under the Public Works and Economic Development Act has had minimal national effects on the decentralization of industry.

At a regional level, nearly all industry research has been of the inventory or fact-finding type. Moreover, the programs thus far sponsored by the commissions in Appalachia and the Four Corners Region have had their main thrust directed toward formulating regional public works policies.

The only sales-oriented research carried out under the aegis of a multi-state regional group is that commissioned by the Coastal Plains Region. This recent effort is aimed at making available to the member states sales tools for developing locational situations at the local level.

Thus, for all practical purposes, the surface of publicly-financed location research has been barely scratched. There are, however, significant clues available which tell us how this research is received by industry and what it can do for local areas.

Kentucky, one of the first States to embrace this kind of research, found that it could measurably increase its overall State growth rate, by obtaining a larger share of national industrial growth. This the State accomplished, by concentrating on those location opportunities for which the greatest advantage to industry could be demonstrated.

But equally important, Kentucky learned that, when the research was made specific to the size and geography of its communities, industry was more ready to consider size and geographic alternatives. In other words, management was conditioned to set aside some of its biases.

The Kentucky experience is especially instructive because it is a State made up predominantly of Small Economic Activity Centers. It has only seven metropolitan counties and 113 non-metropolitan ones. Traditionally, the state is thought of as dividing into three principal economic provinces: the prosperous central Bluegrass Region, the lagging Jackson Purchase counties in the west that had seldom been visited by site-seeking businessmen, and the depressed Appalachian counties in the east that were often shunned by some types of industry.

Kentucky found that it could not make all three sections equally appealing to the site-seeker. Instead, it found that it could accelerate capital investment and the creation of job opportunities in the Jackson Purchase Region by a factor of about five years.

Development officials also found that the same kind of research was the catalyst needed to interest manufacturers in its Appalachian counties for operations management otherwise would have excluded.

The Kentucky experience strongly suggests that more location research and greater selectivity in its application could be the logical vehicle for planned economic growth in the development districts and development regions of the 1970's.

It is not difficult to imagine this happening if we provide adequate Federal funding and if the emphasis of such funding is to translate findings into results. This should be a high priority goal.

Explaining persuasively the advantage of smaller communities.— The Fantus Report Says:

> We need a system of community field development specialists or its equivalent to increase our understanding of those characteristics which are distinctive of smaller towns and cities . . . This system should provide for "exchange" visits between regions.

If we are to judge from the volume of news media coverage and the ever-expanding literature on the subject, we are a nation of "big cities." But this view of America is not borne out by the facts. Most Americans do not live in big cities. More than half live in rural areas, or in communities of 2,500 to 50,000 population that are outside metropolitan areas or technically within the suburban counties of such areas.

Those residents of smaller communities have a choice of many life styles: suburban, exurban, open countryside, college town, agribusiness center, Indian reservation, mining community, resort center, and so on.

The choice of community size and environment is a problem to be solved individually for each company. What is the most suitable environment for one firm may not be so for another.

It is a catchall generalization to say that there is a real cultural vacuum and a lack amenities in our smaller cities and towns. Instead, it is closer to the truth to say that the amenities and a distinctive culture are there if we are ready to recognize their differences.

Generally, the amenities of the small town are more human ones because they make participants of us rather than spectators. There are many reasons for this, which are well understood by the business executive who has transferred from the big city to the small town.

This executive lives closer to his work. Because of this, he

> has more time for his family, more time to think about and become involved in the schools and government of his community. He spends less of his "prime" time watching television and more in pursuing the recreational advantages that are now within easy reach.
>
> There is less dinner table talk about crime on the streets and more about who won the prizes at the garden club, the friends and neighbors who will be performing in the next production of the little theatre group, the site for the next community college, etc. For the executive, his wife, and his children the entire tempo of day-to-day living has changed.
>
> Many of these things would be just as true in Iowa as in Vermont. Obviously, there would be contrasts, too, because of regional differences in people and outlook. Some of the contrasts—and not all of them would be advantageous—relate to such factors as community need and capability, distance from a larger city and the range of attractions the latter offer.
>
> The location consultant must consider all of these factors. He also must probe for, 1) local traditions and attitudes regarding work and its place in life, 2) feelings about women working, 3) reactions of friends and neighbors to "outsiders", 4) receptivity to shift work, 5) community expectations for the new plant, and 6) who speaks for the community.
>
> These are fertile fields for community field development specialists to investigate and report on regularly through one of the Federal agencies, possibly Agriculture, Labor or the Office of Economic Opportunity. It could be a relatively low budget program.

There is every evidence to believe that successful rural industrialization efforts must be ones that will attract national and international corporations, as well as those local firms that expand. Industrial, commercial, service, and other productive enterprises, such as recreation and tourism, profitable timber management, mineral development, research and development firms, and other private enterprises that use local resources to develop, process, and sell products to a regional, national and or world market are required.

NEED VENTURE CAPITAL

Experience and observation indicates that the greatest handicapping factor to more rapid rural development and industrialization is the lack of venture capital. Loans and income incentives to new and expanding industrial firms and business concerns are required.

The Federal government provides a great many programs of technology transfer, patent and copyright assistance, research and development activities, and various information and technical assistance programs. But none of these is specifically weighted to favor rural America. A few Federal loan programs are available to rural areas as well as cities but all are on a more or less limited basis of some kind—to specific types of business; to small business generally, to the area served by TVA, to firms locating within a "depressed area," to extremely low income farm families and other rural residents, to minority group members, to veterans and or to other specialized groups. But, again few of any of these are now weighted to favor of rural

America and none designed to insure that rural areas shall absorb a greater than average part of future national economic development and population growth.

There are no direct, insured or guaranteed loans generally available to all industrial and business firms in town and country America other than to these specialized groups mentioned above. And none of the few business loan programs that do exist are set up to specifically encourage rural business on a favored basis.

There are no Federal or State programs of grants to firms that locate plants or businesses in rural areas, in preference to overcrowded, overpacked cities. There are no special rural development Federal or State tax incentives for locating business or industrial plants in small cities or open country in preference to jam-packed areas of air, water, noise, and overcrowding population.

I agree with The Fantus report which urged establishment of a specialized rural development credit system backed up by rural location incentive payments.

With respect to the latter, the Report states:

> Plant financing programs should be coupled with special purpose Federal incentives to locate in rural areas. Two categories of incentives are needed: 1) those that recognize geographic differences in community need and capability, and 2) those which are independent of geographic criteria. Those which should be considered are: 1) grants or tax credits, or both, for industries locating in areas designated as "remote" or "special"; 2) Federal tax credits for in-plant training of workers, also a combination of tax allowances, credits and accelerated depreciation of equipment installed for control of pollution.
>
> An exurban Chicago location, 75 miles out, is probably more likely to attract industry than a similar sized community in Wyoming. This is likely to remain true for almost any industry that might be mentioned, except, possibly, those involving some special raw material.
>
> Suppose, for example, it can be demonstrated that it will be economically and socially *profitable*, or nearly so, for a particular industry to select the more remote community.
>
> Suppose, further, that the deciding factor for both the industry and the community would be the removal of whatever risk elements are present. Given these circumstances, should we encourage the full development of the locational situation by direct Federal subsidies to the community and indirect ones to the industry?
>
> The answer should be qualified "yes," particularly if any cost penalties that may be ascertained are those which would disappear with time. We should not go to extremes in the subsidies we provide. West Germany, for example, uses a transportation incentive in certain designated areas. For the manufacturer locating near the Iron Curtain border in West Berlin, this defrays excess transportation costs back to the center of the market.
>
> We should tie the aids to some form of effort by the community. We must use wisdom to decide which areas are to be sin-

gled out for special treatment. Perhaps, instead of poverty or visible unemployment, the more applicable criteria should include community size, location well removed from any sizable metropolitan area, and distance from markets.

Canada's minister of regional economic expansion takes the view that there should not be rigid statistical criteria for designation. He says, "In many cases, if you believe only statistics, the situation is not bad because workers just move." That is the crux of the matter: to restrain outmigration of labor from its home areas.

In the category of potential incentives that should be indepent of geographic criteria, there are two of special importance. The first would encourage business investments in the training and retaining of workers. The second would accelerate installation of anti-pollution equipment. Both merit the closest study.

In our major cities the burden of training the unskilled and intermediate skills has been shifting from business to government. Outside our major cities, it is necessary for industry to be more self-reliant in training and developing the workers it needs.

Where necessary, one approach is to organize accelerated courses of in-plant training aimed at making all-round journeymen in a shorter period of time. A second approach involves the elimination of full-time journeymen from work where specialists can be used instead. This practice, analogous to extending the use of engineers by supplementing them with technicians, avoids placing the long-experienced, all-round machinist on a tool which someone with less experience can be trained to handle.

There are good reasons for believing that both our major cities and Small Economic Activity Centers would benefit if the Federal government would make it financially attractive for industry to shoulder a greater burden of in-plant training.

Probably the best way of accomplishing this would be tax credits on specified business investments in the training and retraining of workers. Other incentives should not be excluded, however. These include allowances and grants which may have specific significance related to a region's industry mix. . . .

In the 1970's control of water and air pollution will for the first time become a major factor in plant location decisions. This will be true at all locations—in our big cities, in our small communities, and in the open countryside.

Thus far industry continues to be unimpressed by the range of incentives that 30 States now offer for compliance with pollution control laws. Some of the incentives amount to nothing more than exemption of equipment from sales and property taxes. In some instances the incentives appear to favor machinery for the control of liquid wastes as opposed to the much more costly equipment for controlling air pollution.

There is little doubt that management would like to see this patchwork of local incentives replaced by some Federal combination of substantial tax allowances, credits, and accelerated depreciation to offset the heavy cost penalties that industry faces. Only with such Federal incentives, can we expect to avert ruinous interstate competition and mislocations of industry that do irreparable damage to our ecology.

INDUSTRIALIZATION PREREQUISITES—COMMUNITY FACILITIES

Before additional industrial and commercial enterprises can be attracted into most town and country communities, the community itself must possess, or indicate, willingness and ability to provide several essential prerequisites.

Adequate and acceptable community facilities are prerequisite, concomitant, and result of successful town and country development.

Usually a community cannot attract needed new industry and business if it does not have the community facilities required and demanded by the new enterprises they hope to attract.

It is also true that progressive attainment of economic development goals make it possible for the community to build and support the needed improved community facilities.

Moreover, fully adequate community facilities help make the community a better place in which to live both for old-timers and increasing numbers of new comers.

In this regard, the Fantus Report, based upon years of experience in making studies for industrial locators, concludes:

> Basically, it has to be remembered that the business executive entrusted with plant location decisions will continue to seek a site which so combines all locational factors as to give the lowest cost per unit of output.
>
> He will search for a plentiful supply of labor without sacrificing intelligence or skills, and a cooperative local attitude without limitation on his independence.
>
> He will look for minimum transportation costs with service of the kind he needs; reasonable labor costs with satisfactory productivity; moderately-priced sites with room for expansion; and pleasant surroundings with a modest cost of living.
>
> He will also want a tax structure which is healthy—with low rates but not so low as to jeopardize normal services. And in many instances he will be interested in incentive industrial financing programs, provided that these do not make him sacrifice or compromise his locational objectives.

Federal and State programs to assist communities in building and operating the needed facilities may be used to relieve local bonding authority and tax base from heavy expenditures so that local resources may be utilized to provide facilities for which outside assistance is not available.

Industrial Parks

The importance of already prepared sites to success in attracting industry to rural communities was pointed out in a preceding section. The most attractive of these, and the most pleasing from a general land use planning viewpoint, are found in industrial parks, established as a community facility.

Loans and grants are available to construct industrial parks in designated rural areas from the Economic Development Administration and generally from the Department of Housing and Urban Development. Neither program is adequately funded to make a major impact in rural areas.

Labor Supply and Labor Market

Both Jim Maddox, in his letter, and the Fantus Report place fully adequate labor training near the top as an essential component of successful rural development. Various aspects of this matter have been discussed in previous chapters. Several other aspects should be noted.

Manpower Development and Training

The funding, management, and operation of these programs is a confused dual responsibility and controversial jurisdictional problem of the Departments of Labor and Health, Education and Welfare. The problem is further complicated by the fact that probably the most non-rural, if not anti-rural, department of the Federal government is the Department of Labor.

A fluctuating and uneasy peace treaty between the two Departments assigns (1) the provision of education and training to the Department of Health, Education and Welfare and (2) the provision of funds to facilitate training to the Department of Labor. For example, the Department of Labor finances subsistance payments to persons undergoing "Manpower development and training" by the Department of Health, Education, and Welfare.

Usually the Department of Labor insists that the cost per person be kept as low as possible thus favoring large classes easily reached by commuting. This militates against use of such funds to finance training in small communities.

Housing for trainees and their families are usually available in urban areas but often lacking in rural communities. This gap has been potentially closed by legislation authorizing funds for rural trainee housing but the legislation has never been utilized.

There exists a long and complex list of specific Federal labor training programs of many kinds, all more or less adequately funded. But none show any convincing indication of reaching successfully into rural areas nor of making any significant contribution to rural development nor preparing any significant member of rural relief recipients and chronically unemployed and underemployed for jobs.

The successful effective program of the State of South Carolina should be studied, duplicated and replicated in other States. The only really successful rural manpower development and training effort on a widespread basis has been the pilot county approach of the interdepartmental program of concerted Education and Training Services activity initiated some years ago by the Departments of Health, Welfare, and Education, Agriculture, and Labor, in which Office of Economic Opportunity, and Department of Interior have later joined.

In this activity, the cooperating Departments jointly finance full time labor education and training staff in a county or two or three adjoining counties. Evaluation of the activity by the North Carolina State University at Raleigh indicates it is successful.

The reason this approach succeeds where the normal Labor Department operation does not, appears to be the result of two major factors: factors:

> (1) Full-time local presence of the jointly employed coordinator who becomes a participant in all rural activities of the area rather than just sporadic training classes unrelated to other local rural development efforts; and
>
> (2) Emphasis on training for specific placement in specific rural development projects.

Employment Services

Nor does the program of rural labor recruitment, training, placement, and follow up services appear to be meshing successfully with the rural unemployed and underemployed nor with the labor supply problems of rural non-farm employees.

Representatives of both workers and prospective employers are critical and a very large share do not use such services as now exist.

This is partly a result of the data gap pointed out in the Fantus Report and a similar gap in rural employment service facilities.

One problem leading to the breakdown of employment services and labor training programs in rural communities may well be the traditional inability or unwillingness of Labor Department program administrators to recognize rural America as whole. This partially stems from the lack of interest and data brought out by the quotation from the Fantus Report in the previous chapter. This failure also, results from the continuing dicotomy in Labor Department administration between farm labor recruitment and placement on the one hand and urban labor recruitment and placement on the other with non-farm rural problems left in some kind of vacuum.

This form of operation is almost completely ill adapted to the real need in rural areas. Most hired farm workers do not work at farm work on a year-around basis. Instead a person is a farm worker one month, an industrial worker another month, and probably unemployed a third month.

Moreover, many rural jobs are seasonal in nature. But the seasons in farm and non-farm work vary. However, if the Farm Labor Service drops a worker when cherry picking is completed, the worker often is not referred to an empty non-farm job place nearby that is searching for a worker.

The solution is to establish a nationwide computerized network linking up unemployed workers and vacant jobs; but so far this has been established in only a few very large metropolitan centers with none covering rural areas.

As the Fantus Report points out, the Department of Labor's Small Communities employment service program is almost totally lacking in timely attention to rural labor and rural labor market problems, primarily because of the lack of funds.

A partial solution may be found in recently enacted legislation authored by Senator Herman E. Talmadge providing on-the-job training tax credit to employers. But an even broader approach is required for a fully acceptable solution.

Vocational technical training institutes

These post-high school vocational educational institutions are performing a real service to rural development where available. More such institutes, at least one in each rural community (multi-county sub-state district), should be established as soon as possible, with sufficient funding to provide high quality, modern equipment and talented instructors.

Transportation

Successful rural development is dependent upon convenient, effective, low-cost transportation. To meet the current need, at least from a rural point of view, requires both the adoption of coherent national transportation policy that is consistent with rural needs and a balanced national growth and the detailed fulfillment of rural transportation needs in specific locations.

AIRPORTS

All is not dark; increasingly airports are moving farther and farther from the major cities. Projections indicate the trend will speed up.

Air freight (cargo) operations are being segregated into separate airports from passenger facilities. Cargo airports, unlike passengers, may actually possess many economic advantages in a rural setting.

In the next ten years, about 800 new airports will be built in the United States; 3,000 of the existing 10,000 will be modernized (and maybe moved) and enlarged.

The major new thrust is toward cargo (air freight) airports away from the city to leave room for airports nearer the cities to handle passengers.

One recalls that many of the "new towns" in the history of America were built on the expanding railroad lines.

The implications of cargo air freight airports to the process of revitalizing rural America are exciting.

HIGHWAYS

Improved highways and truck transportation brought rural industrialization into the realm of feasibility. Several nationwide studies are now indicating that the most rapid rural development is taking place around the intersections in the new Interstate System.

The Department of Transportation has been authorized to inaugurate a new developmental highway demonstration program. The process and results of this program should be watched carefully and if it proves as successful as a similar program provided in the Appalachian Development program, it should be expanded.

RAILROADS AND TRUCKS

As promising as airport and highway development appears to be for successful rural development, the railroad and truck line contribution to rural America appears to be deteriorating rapidly. The continuing termination of both passenger and freight service to an increasing number of small communities appears to be accelerating. The results will handicap rural development efforts.

Possibly adoption of the rural transportation services incentives recommended by the Fantus Report would result in reducing the pressure for such terminations. It is more likely that interim subsidies may have to be buttressed with statutory requirements of specific regulatory refusals to approve terminations will have to be mandated.

ACCESS ROADS AND STREETS

Prepared industrial sites and industrial parks, to be useful, require a fully adequate network of convenient, paved access roads and streets connected with major highway corridors of long distance transportation both for movement in of supplies and materials and the movement out of processed products.

Some funding for these are available in designated rural areas under the Economic Development act and the Appalachian Development Act. Funding for access roads and streets should be made available in all rural communities.

Street Layout

In addition to access roads to industrial sites, a growing community requires improved streets. An improved Street system increases efficiency and attracts business, industry and tourists. No Federal program now exists to help meet this need.

Research Centers and Institutions of Higher Education

Governor William Guy of North Dakota has repeatedly pointed out the special catalytic value to area development of the location of research and development centers and institutions. Dr. Theodore Schultz has noted the tendency to locate such centers along the boundaries of the Nation.

In addition to adoption of the recommendation concerning the location and size of colleges and universities made above, the Nation should deliberately utilize its geographic distribution of research and development funds to make a major contribution to rural development. Distribution in the recent past has been badly skewed in the opposite direction.

Water Development for Multiple Purposes

The dependence of population growth, industrialization, generation of electric power, and outdoor recreation, upon an ample, dependable water supply of required quality is well known. The national program for water development for multiple purposes is well articulated and fairly well funded. Over the past decade it has also become fairly well coordinated from both a planning and budgeting and from an operational point of view. Its continuation and improvement is essential to successful rural development.

Interestingly enough, however, provision has not been made for bringing the original water resources assessment up to date. The original inventory is not only out of date but also used some faulty basic assumptions. One of the latter took continued decay of rural America for granted. For lack of clear national policy to the contrary, the assessment assumed continued decay of rural areas as a major basic basing point upon which the entire inventory of water development needs was grounded.

This resulted from the absence of any national policy concerning balanced national growth and rural development such as has now been provided in Title IX of the Agricultural Act of 1970 and Title VII of the Housing and Urban Development Act of 1970. Congress should authorize, fund, and direct that a new up-to-date water development needs assessment consistent with the new national policy statements be made giving revitalization of rural areas the highest priority.

Multiple purpose water development programs include: the Delaware River Compact; Federal construction and operations by the Army Corps of Engineers; Federal construction and operation by the Bureau of Reclamation; Federal construction and operation of water projects by the Forest Service, and by the Tennessee Valley Authority; River Basin Commission planning and other water planning investigations and coordination through grants to States and regulation of private development, under supervision of the Water Resources Council; the small flood control, small reclamation, and small watershed project programs, of which the latter is to be far the most widespread. To these have been added the resource conservation and development projects program of rural development which have taken a major water development orientation.

Budgeting for all of these programs are currently coordinated through the Water Resources Council. However, their future is currently threatened by a pending revision of criteria and standards. The major problem here is a high and rising imputed interest rate for discontinuing of future benefits.

The direct impact and beneficial influence on rural development of the small watershed projects and the resource conservation and development projects is easily observable in widely scattered project areas all over the United States. Both programs should be amended to have a more direct influence upon providing municipal and industrial water supplies, outdoor recreation, water quality enhancement and environmental protection and enhancement. Such legislation has been passed by the U.S. House of Representatives and by the Senate.

Investigations and planning for multiple purpose water development should be coordinated with and brought into line with (1) the needed nationwide land use and physical features planning system and (2) the general purpose areawide development planning.

At this time, water development is better funded, more widespread, more sophisticated, and better staffed than either, although water planning by its nature is functional and partial rather than comprehensive.

Water Quality Management and Control

To attract new industry and expand existing industry, a community must prepare itself to provide all services and facilites required to enable new industry and business to meet State and Federal water quality standards.

The Water Quality Control Administration of the newly established Environmental Protection Administration provides a variety of grants, technical assistance and information to help communities to attain these water quality standards. A total of $22 billion is authorized over the next 5 years.

Yet many a small town is faced with extinction because its only industry is required to shut down because the local sewer system is not adequate to preserve water quality in nearby streams.

Community Facilities and Services Needed for Business and Industry

All of the community facilities and services discussed earlier as necessary for raising the quality of life in rural communities are also more or less essential requirements for attracting tourists, retirees, new industry, and service establishments. In addition, some other community facilities and public works are specifically required to establish the local economic base demanded by industry.

LOW COST ELECTRIC POWER

As the major contribution of rural electrification program as well as the success of Tennessee Valley Authority to rural community improvement and growth has already demonstrated, low cost rural power in ample reliable supply is essential to successful rural industrialization as well as other phases of rural community improvement.

Currently the Nation as a whole appears to be facing a major power crisis in the near future. Steps to forestall this occurrence should be initiated immediately.

Moreover, the rural electrification effort is being strangled for the lack of funds to finance the construction of generation and transmission facilities for the rural systems. Another major effort should be made to improve the funding situation with respect to rural electrification system. Currently the greatest need of rural electric systems is for a dependable institution to provide needed long-term capital.

Along with improved highways and reliable modern telephone service widespread availability of low-cost electric power in town and country has untied industry and business from the waterfall and rail head.

Ample low-cost power is an essential prerequisite to the needed industrialization that will provide additional job slots, income, and business activity.

RURAL TELEPHONE AND COMMUNICATIONS

Recent legislation expanding the sources of credit for rural communications, through the new Rural Telephone Bank, has just now gone into operation, supplementing the rural telephone loan program of the Rural Electrification Administration. The results of the combined operation of the rural telephone bank with the direct loan program should be monitored and evaluated in terms of its contribution to the rural development component of the balanced national growth policy to determine if additional improvements should be made.

Some distinguished scientists feel that further improvements in and application of electronic communication will vastly expand the potentialities. A Federal grant is now financing a relatively large scale rural experimental and demonstration project in Connecticut.

WATER SUPPLY

Locating industry considers both the quality and the quantity of available water in making its decisions of where to build new plants or to expand operations. Usually, as the Fantus

Report points out, locating industry prefers to expand in an area or community where the desired quality and quantity of water is immediately and conveniently available at no additional construction cost to the new plant. Preprepared industrial parks and proposed individual industrial sites should already be supplied with ample water supply before the search for industry commences.

No one knew or projected, when the Short Mountain Creek-Six Mile Creek Watershed project was being planned and approved, for example, that it would have a major impact upon industrialization, population increase, and higher per capita and area income in rural north Logan county Arkansas.

However, even while some of the initial major dams were still under construction, prospective industry locators indicated a desire to locate in the vicinity if added water storage capacity would be provided by the dams for industrial use. This was done and preproject average family incomes of $2,600 per year in the area were raised to $4,800.

Similar results have attended water developments within resource conservation and development projects, as attested by independent evaluation studies built into the original project design and budget for this program.

SEWERAGE COLLECTION, TREATMENT, AND DISPOSITION

Preprepared industrial parks and individual sites should also be adequately supplied with sewer and waste water and solid waste treatment and disposition facilities, both to attract industry, governmental installations, and related businesses and to protect the environmental quality of the rural community. Such facilities are, of course, required by rising standards of Federal and State Water and Air Quality control regulations.

SOLID WASTE MANAGEMENT

Adequate provision for environmentally sound and low cost solid waste management is an essential for some kinds of industry as well as for community environmental protection. The existing program of Farmers Home Administration should be expanded in scope and more adequately funded. The lack of adequate solid waste disposal systems in rural counties, particularly those of rapid recreational development, has in some cases reached a crisis stage.

FIRE PROTECTION

Provision of adequate fire protection system and its effect upon insurance rates has a direct influence on production costs of industry as upon living costs of residents of a rural community. The Federal Government should immediately initiate a nationwide rural fire protection system under the leadership of the U.S. Forest Service.

LAW AND ORDER

Requirements for law and order are fully as important for attracting and building industry as in ensuring the quality of life in a rural community.

This varies all the way from vandalism in National Forests and private forest and farm lands to the more sophisticated drug traffic and street crime. The existing program of the Law Enforcement Assistance Administration and amendments recommended by the President in his law enforcement revenue sharing proposal should meet the need, if adequate attention is given by Federal and State authorities to uniquely rural needs as well as to fair geographic allocation of funds and technical assistance.

There have been some complaints on the score that State government is not passing through sufficient funds to local law enforcement bodies in rural areas. A special effort should be intensified to bring about better coordination of local law enforcement with the needs of publicly owned lands such as National Forests, where increased and more extensive recreational use is bringing about new kinds of law enforcement needs almost unheard of in the more simple cattle and trees era of National Forest management.

GENERAL REQUIREMENTS FOR RURAL DEVELOPMENT

The establishment and operation of additional job-creating industrial and other business enterprises as well as of all of the community facilities and services discussed in earlier sections of this paper require heavy sums of money to construct and operate. Moreover, both the attaining of a higher quality of life, and continuing prosperity of business enterprise requires modern, effective, responsive, economically-operated local government, and the assistance of State and Federal government and their instrumentalities.

INVESTMENT FUNDS

Many of the elements of success in rural development are largely matters of the spirit and therefore not costly.

However, the several phases of rural development and of its components does not reveal any of them that is not costly—very costly—in resources and effort. In a market economy this means dollars—a great many dollars to bring needed equipment and possibly skilled workers and management, into the area from outside it and to bring about shifts in labor force and resources use within the area.

Funds needed to establish, construct, and operate needed public works, community facilities, and social services have historically been derived from both local and non-local sources and have consisted of credit, grants, and special incentives and subsidies of various kinds. Land grants for colleges, railroad land grants, the canal building era, and the Homestead Act itself were rural internal improvement measures that were lineal forerunners of today's rural development component of a geographically-balanced national growth policy.

The list of rural development components that require outside financial assistance as well as coordinated effort include the following:

1. Farm operation and purchase.
2. Fisheries and fishing.
3. Forestry, public and private.
4. Mineral mining and processing.
5. Agricultural, fishery, and forest products processing and marketing.
6. Tourist facilities and promotion efforts.
7. Vacation farms.

8. Outdoor recreation areas, facilities, and enterprises—public and private.
9. Governmental installations, whether paid for outright or done on purchase and lease back basis.
10. Professional, trade, and service installations and enterprises.
11. Retirement housing and facilities.
12. Rural industry.
13. Research, data collection, and product development.
14. General education and school systems and facilities.
15. Hospitals, health care facilities, and health and medical care.
16. Welfare programs, special food and nutrition programs, and other special antipoverty efforts.
17. Housing.
18. Fire protection.
19. Law enforcement.
20. Libraries and museums.
21. Neighborhood centers.
22. Parks, open spaces and outdoor recreation facilities.
23. Soil and water conservation.
24. Water distribution systems.
25. Beautification of natural and public areas.
26. Sewer systems.
27. Sewerage and waste water treatment plants.
28. Enforcment and maintenance of water quality standards.
29. Enforcement and maintenance of air quality standards.
30. Solid waste disposal management.
31. Rural transportation of people, particularly older Americans and the poor.
32. Service programs for older Americans.
33. Construction, planning and maintenance of street and traffic control patterns and systems.
34. Industrial parks.
35. Labor market and employment service.
36. Manpower development and training.
37. Vocational technical training institutes.
38. Community junior colleges.
39. Universities, colleges, and other institutions of higher education.
40. Research and development centers.
41. Airports and airways.
42. Developmental highways and other highway and road construction.
43. Railroads.
44. Hard-surfaced access roads and streets.
45. Multiple purpose water resource development.
46. Electric power generation, transmission and distribution.
47. Natural gas distribution systems.
48. Adequate water supply for municipal and industrial use.
49. Cultural centers.
50. Navigation.
51. Flood plain management and flood control.
52. Encouragement of foreign investment in U.S. rural development.
53. Promotion of exports.

This is a long and costly list.

Many are already being, at least partially, financed in one way or another by existing sources and institutions. But very few of the 53 items is as fully financed in rural areas as would be required to contribute fully to attainment of the high priority given to rural development as a part of the national policy of balanced growth by recently enacted laws. Putting in the needed additional installations, facilities, and enterprises will require a huge investment, of private and public funds.

There are no definitively documented figures that indicate the total amount of investment required for the next decade or the next three decades. The required research has simply not been done. Nor is there a definitive nationwide survey of how much of the need can be met from savings within the rural communities and how much must be brought in from the outside.

Some indicative episodic studies in Kentucky and the central Appalachian region and in other developing nations suggest:

a. that national and multinational enterprises locating or expanding a plant in a rural area do so from funds obtained from corporate sources outside the area;

b. that as much as half of the savings generated within a developing area may not stay within the area for reinvestment;

c. that financiers in such areas are not as vigorous as those in other areas in pushing development within their own service areas;

d. that the element of face to face social communication that characterizes small town militates against investment by local sources in local enterprises and encourages the investment of savings in far away areas where the nature, and amount of wealth and the identity of the investor can remain anonymous;

e. that feasible local development projects that would pay out are denied funds, regardless of interest rates, by a sort of informal unofficial capital rationing.

These and other studies also indicate that not only is the actual risk higher in rural than in nonrural areas but also the difference in the presumed or psychological rates of risk is even greater.

Rural areas also suffer from higher costs resulting from greater distance required for transportation of raw material and finished goods and from low volume production for small local market and other concomitants of sparse settlement.

As result of all these factors there is an apparent short-fall of available credit and other investment for needed development in rural communities.

The needed investment is of three distinct types:

1. Credit and other self-liquidating investment;
2. Subsidies to equalize the higher costs of construction and operation in sparsely settled rural communities; and
3. Special rural location incentives to overcome the largely psychological barriers to investment in rural communities.

The total of these would, of course, be greater than the total of actual construction costs plus operating expenditures by the amount of the location incentive required.

While no definitive indications are available of the total amount of needed investment and location incentives to reach the rural development goals that have been quanitatively projected for the coming decade, scraps of data from varied sources suggest the total may be more than $900 billion. Of this about $700 billion would be for investments private productive enterprises and $200 billion would be for investment in municipal and other governmentally-provided facilities, and $10 billion for location incentives, after eliminating the overlap between subsidized investment and outright location incentive payments. The annual average might be about $91 billion, of which $70 billion would be for private enterprise, $20 billion for municipal facilities, and $1 billion for location incentives, not including those made as part of subsidized investment. To these figures there should be added the funds required to maintain current public work projects that are truly developmental in nature and the amount now involved in various hidden subsidies such as artificially low interest rates, tax advantages, and the like.

I have not been able to find even an indicative breakdown of the municipal investment total into types of facilities and public works.

On the private side, the annual investment mix might be somewhat as follows: agriculture $9.0 billion; commercial $8.0 billion; communication $8.0 billion; public utilities $7.5 billion; railroads $1.0 billion; airports and airways $1.5 billion; other transportation $1.0 billion; housing $20.0 billion; mining $2 billion; nondurable goods manufacturing plants $6.5 billion; durable goods manufacturing plants $6.5 billion.

How much of this should be direct private investment, how much credit, and how much subsidy would be required to augment governmental credit and other investment funds and location incentive payments cannot accurately be projected from available data.

Currently, subsidies on municipal community facilities and public work projects varies from zero to 100%. Most require some kind of State or local matching. The President's general and special revenue sharing proposals eliminate the matching requirement and specifically authorize that revenue sharing funds received may be used to match other Federal grants that do require State or local matching. Including direct Federal expenditures on public works and other community facilities along with categorical grant programs, the over-all current average might be somewhere in the neighborhood of a 50% share.

Subsidies to rural private enterprise now probably total more than $10 billion annually.

RURAL LOCATION INCENTIVES

A rural location incentive is not a payment to make profitable an otherwise unprofitable business. Rather it is a payment to induce entrepreneurs of profitable firms to locate new plant and plant expansions in rural rather than nonrural communities. The location incentive is designed to make operation of the proposed plant capacity more profitable in a rural area, with the incentive, than the same plant capacity would be in a nonrural area without the incentive.

Location incentives may take any of several forms:

1. A tax credit for plant capacity located in rural area;

2. A tax credit for employment provided in a plant located in a rural area;
3. A tax deduction on expenditures for plant capacity construction or even some share of operating costs in a rural area;
4. Provision of plant site and/or building and/or equipment that will be utilized:
5. Special reduced interest rate loans;
6. Outright payment either as:
    (a) a capital grant in one lump sum, or
    (b) as an annual payment of some kind.

Location incentives are a direct and straight-forward means of implementing a rural development policy or a policy of geographic redistribution of population and economic opportunities. Its amount must be sufficient to make a proposed business more profitable in a rural area than in a competing nonrural area.

But the crucial point about the incentive is that it be large enough to influence the location decision.

Public works and investment in community facilities, if timely and of adequate quality, also serve as an indirect rural location incentives.

RURAL DEVELOPMENT CREDIT

Not nearly all of the investment needs for rural development need be met with location incentives and subsidies. Most of the needed funds can be generated from direct investment and credit.

Corporate and individual savings are now generated from economic activity in rural communities. If the tempo of economic growth picks up a larger share of it than now can be expected to remain in the area where generated to finance new and expanding enterprises. Moreover, increased income and employment in a rural community will attract additional private investment from outside the rural community.

Just how much of the $900 billion of needed rural investment might be available from these nongovernmental sources cannot now be determined from available data.

Whatever the gap, it will have to be made up with Federal and State subsidy and governmentally-sponsored credit.

BORROWER-OWNED RURAL DEVELOPMENT CREDIT INSTITUTION

This proposal would establish a nationwide rural development banking system for non-farm rural credit similar to the Farm Credit Administration System for farm credit. Through purchase of voting stock in the rural development bank, borrowers and the local financial institution from whom they obtain their loan, would repay the initial Federal capital subscription and become owners of the bank. The rural development banking system would obtain needed funds by selling bonds, debentures and letters of credit on central money markets.

FEDERAL GUARANTEED LOANS

Private enterprises and municipalities who are unable to obtain needed funds from:

(a) customary channels

(b) the sale of taxable municipal bonds with subsidized or unsubsidized interest rate; nor

(c) the rural development banking system

could be made eligible to obtain loans from local banks who would be able to obtain loan guarantees or mortgage insurance from an appropriate Federal Agency such as Farmers Home Administration or a successor agency.

DIRECT AND INSURED LOANS

Rural development projects not qualifying for funds from any of the above sources could be made eligible to obtain direct or insured Federal loans from the appropriate agency or loans which the agency advances and then sells on an insured basis.

If all of these options were made available it would, in effect, establish, in addition to customary channels, a bank with several windows with a full line of rural development credit made available in the first three cases by the local financial institution or regional investment banker.

Until such time as the new system proved itself is capable of meeting rural development needs, existing Federal and State loan programs should be kept in operation and expanded on a selected basis.

There are now more than 75 of these that operate in rural areas. None, however, are exclusively rural. To prevent duplication and overlap of the new system with existing programs, project sponsors and applicants could be made ineligible for loans under the new system if needed funds could be obtained within a reasonable time on reasonable terms from customary channels of any existing loan program. Moreover, provision should be made for joint participation in individual rural development loans by two or more agencies and private creditors.

COORDINATION AND PLANNING OF RURAL COMMUNITY IMPROVEMENT

It has been proposed that the sub-state areawide general purpose multijurisdictional planning and development districts or regions be strengthened in their coordination powers by providing them with the authority to pass on the desirability, merits, and fiscal feasibility of all proposed rural development projects as well as to determine consistency of individual proposed projects with areawide plans developed by such districts. Provisions for a limited version of such powers is now included in Office of Management and Budget Circular Number 95, which implements a provision of the Model Cities Act. This grant of authority to formally organized rural community (multijurisdictional) planning and development districts should be strengthened.

Expanding income in private enterprise to support higher quality community services and more and better community facilities and public works—are essential elements of successful town and country development.

But all these elements must be fashioned together into a living, coordinated, complete, general purpose action program that is consistent both with relations of its various parts to each other and of the program as a whole to the resources and realistic potentialities and capability of the community hopefully in accordance with a pleasing and protective land use plan.

This requires, both in the private sector and in the official government and political process a continuous process of relating community values and goals to available resources and opportunities, in terms of actions required to attain them, into a broadly agreed upon general plan.

Such general purpose, community improvement plans with enforcement provisions consistent with areawide, statewide land use plans will help rural America, in its development efforts, to avoid the errors made in building the great cities of today.

Increasingly Federal and State Governments are requiring consistency with general purpose development plans as prepared by multi-jurisdictional (multi-county and multi-state) development planning and coordination bodies as prerequisites to Federal and State aids of various kinds. Such plans and consistency with them should be required for approval of any loan or grant for any type program or project made up within the area by the Federal or State Government.

Many State and Federal programs that assist various aspects of town and country development require, as a prerequisite, that the project or application involved be included in, or be consistent with any pre-existing general purpose development plan or program of community, area or district improvement that may have been prepared. This is not quite good enough. Provision must be made to formulate and keep current the needed areawide general purpose plans.

Whether such areawide general purpose development plans are officially required or not for any particular project such plans are essential to efficient and effective community improvement, if maximum development is to be obtained consistent with environmental quality in shortest possible time with a minimum of uneconomic investments, losses, duplications or wasteful operations with maximum acceptance by the residents of the area.

Levels of Planning

All successful human activity involves planning.

Plans for various aspects of rural community improvement are of five general types:

(1) Individual structure or architectural plans;

(2) Project plans (as for a particular housing project or watershed protection and treatment project);

(3) Functional plans (such as for sewerage and waste disposal in an entire area, or comprehensive river basin water development plans, an overall economic development plan, statewide outdoor recreation plans, or the anti-poverty plans of a community action agency or the Cooperative Area Manpower Planning System or the Comprehensive statewide or regional mental health, health services or vocation education plan);

(4) Area-wide community and statewide general purpose development plans that bring together all functional, project, structural, and physical elements and components of the total community improve effort into proper relationship to each other, consistent with the land use plans for the particular geographic area; and

(5) Land and physical features plan for area

All five kinds of plans are essential.

The first three are usually organically a part of or closely associated with Federal, State, and private programs and projects and are by now largely adequate. The major gaps are (a) the almost total lack of adequate areawide land use planning and (b) the inadequacy of general purpose area development planning.

Areawide, general purpose planning by villages, towns, cities, counties, and by multi-jurisdictional district or regional groups of these, and by states and by multiple-state regions are being increasingly recognized as desirable and are increasingly utilized or required for eligibility for various Federal programs, and their increasingly funded by Federal and State grants-in-aid and appropriations. This development should be encouraged and supported.

Multi-county Districts

The newest, most widespread, and probably most significant, of these for town and country development are the substate multi-county, multi-jurisdictional planning and development districts now being established by various State governments, and recognized and funded by the Federal government.

Some States have enacted legislation establishing multi-county planning and development districts; some authorizing establishment of such districts by voluntary action of constituent local jurisdications. In others, multi-country districts have been established by the Governors. In still other States, the state planning agency, the State Cooperative Extension Service or other organizations have outlined on a map the boundaries for suggested districts, but the districts have not yet been officially established. In some states no action has been taken at all.

All the states have laws authorizing official planning bodies for municipalities and counties, and some for metropolitan but not for non-metropolitan areas.

In some cases, the multi-jurisdictional body is known as a "council of governments", which provide for among other functions, multi-jurisdictional general purpose planning and development coordination for the area covered.

Multi-jurisdictional general purpose planning and development districts are at some stage of establishment and operation in 49 states.

A realistic flexible community inventory and general purpose rural development plan covering urban as well as rural geographic territory is essential to orderly and successful community improvement and growth. Such general purpose development plan, bringing together all elements and aspects of projected community development, can help insure maximum success in attaining goals with a minimum of uneconomic investments, duplications, losses, and mistakes. It is also important that rural residents and rural needs and asperation be represented in and take aggressive action with respect to such district planning in non-rural mixed districts or regions as well as wholly rural districts.

Area-wide or community coordination is particularly a must in sparsely settled areas, even more than in more densely settled parts of metropolitan areas, although more exists in the latter than in the former.

When it comes to this areawide general purpose development planning and to the related Government guidance programs, I have always felt that we need less futile planning for planning's sake and more promotion and finance; less debate over technical details and more unity of purpose; less power struggle and more persistence and self-discipline; less prescription and more perspiration; less prejudice and more pride. However, expansion of the rural multijurisdictional general purpose planning and development districts should be encouraged and supported. Federal and State appropriations for the purpose should be greatly expanded.

Formulation, implementation, and enforcement of general purpose areawide development plans are essential to make as certain as we can that (1) the rural development that does take place is esthetically, culturally, and ecologically desirable and (2) that it is economically and socially sound and feasible.

Only through general purpose development planning can the various functional plans be brought into workable and pleasing relationships to each other.

In addition to and in connection with, expanded Federal and State financial support to multijudisdictional areawide general purpose planning, the Congress should pass and the President sign legislation that will authorize and encourage, through 100 percent grants, State and multijurisdictional districts to prepare, and maintain current, the required land (and water) use, environmental protection and physical feature planning that determines the framework within which rural development and community improvement occurs.

Currently there are five aspirants for exclusive top power position in areawide general purpose and land use planning.

(1) Urban growth city planning groups which deny the validity of or need for special rural planning and development and are largely physical feature oriented on a metropolitan area basis, although the HUD planning grant, model cities, and Council of Governments program have broadened their perspectives.

(2) Comprehensive water and related land resource and national land use planning on a river basin or watershed basis through matched Federal grants to states;

(3) Rural community development districts.

(4) The public works and economic development oriented who are pushing a combination of nationwide Federal-State regional commissions and multijurisdictional local development districts.

Public works and economic development planning in especially depressed areas, such as Appalachia and Ozarks.

(5) As usual in such situations none of these is optimum. Some order must be brought out of this potential chaos. Probably the most feasible solution may be approached by either of two routes:

(1) Establishment of a Congressional ad hoc (possibly informal) combined planning and development subcommittee composed, in each House of Congress, of members drawn from the several standing committees that now have overlapping jurisdictions: Agriculture and Forestry; Banking Housing, and Urban Affairs; Public Works; and Interior and Insular Affairs; or

(2) Enactment of all four proposals with provision for sufficient discretionary authority that the essential internally consistent National planning and development program can be fashioned by combining them through administrative action in the Executive Branch.

The optimum solution would be legislation establishing:

(A) Nationwide land, physical, natural resources and environmental use and protection planning by (a) multi-state regions: (b) States; (c) multijurisdictional substate districts; (d) counties; (e) municipalities and

(B) Nationwide general purpose development planning and development by (a) multi state regions; (b) states; (c) sub-state districts or regions; (d) counties; (e) municipalities; and (f) neighborhoods; and

(C) City Planning

All these should be adequately financed but only minimally controlled by the Federal government to the extent needed to ensure attainment of national goals.

NATIONAL LAND USE PLANNING

Although functional in nature, areawide land use planning is of special significance to general purpose rural development.

The largest gap in rural development efforts, with the possible exception of the availability of funds for investment, is the complete lack of systematic areawide national, state, and district planning for use of land, water, and other natural resources and the physical location of major manmade appurtenances.

Various kinds of partial and functional approaches are underway varying from water and air quality planning, river basin and other watershed planning for water and related land resources development, Farmers Home Administration financed rural sewer and waste disposal planning, some Council of Government and other areawide multijurisdictional land use planning in metropolitan areas, and city planning and zoning and code enforcement of varying degrees of adequacy and strictness in many municipalities.

But for the great bulk of the land area of the broad expanse of Rural America, no general purpose area wide land and water use plans, zoning and code enforcement exists or is underway, except for certain public lands, watershed areas, resource conservation and development project areas and the conservation plans of soil and water conservation districts which sometimes extend inside municipal boundaries, and which now cover most of the nation.

The National Resources Planning Board and its successor agencies are long since dead as are the state and local land use planning efforts of the former Bureau of Agricultural Economics in the Department of Agriculture. Nothing has taken their place.

Legislative provision for definitive national land use planning is now being considered by Congress. The nearest approach is the proposed legislation, modeled on water resources planning programs, and as an amendment thereto, that is now pending in controversial alternative forms, before the Senate and House Committees on Interior and Insular Affairs.

Properly understood, land and physical planning is needed for both directional and protective roles in rural development.

Legislation should be enacted as soon as possible to provide incentives to and requirements for national, state, district, and county areawide land and water use planning, zoning regulations and code enforcement not just in cities, not just in river basins, but throughout the length and breadth of the United States.

When such plans were formulated and zoning regulations and land use codes were made effective, they would establish the framework within which rural development would be encouraged and assisted to take place. They would establish the appropriate mix and location of development in rural areas with non-rural.

Lacking such land use plans and regulations rural development will continue to take its aimless, haphazard, potentially dangerous course. But fulfillment of the aspiration of rural people cannot await, and has not awaited land use planning.

But before too many more irreversible commitments to rural land uses are made, the nation would be well advised to move forward now with a nationwide land and natural resource planning system and program.

An essential prerequisite of the areawide, general purpose development action plan is the areawide land (and water) use and physical features plan, which should be backed up by effective enforcement machinery. Only in this way can the physical basis for the general purpose plan be preserved and adjusted in a manner that will allow implementation of the general purpose development plan throughout its various phases.

Each Area Is Unique

The need for considerably decentralized control over development planning stems from the basic uniqueness of each area. We must recognize that all rural communities and all areas except wilderness have some sort of institutional structure—that this varies from area to area—that there is in every community some past history of organizational and development work that will have an important effect on the creation of new organizations and the potentialities of new developments.

There are many other variables in these rural communities; and all of these variables mean that we can't expect the people in each community to approach the job of organizing for rural environmental improvement and community development in exactly the same way, with the same kind of organization structure. Moreover, we must be prepared to accept local variation in the speed with which organization develops, and in the form that organization takes.

The important consideration is that whatever the organization, it serves the need of each particular community in attacking its problems of development in its own unique way and is not inconsistent with high priority national goals and requirements.

Indeed, some communities are already highly organized—some possibly overorganized. In some communities there are long-established organizations working toward the goal of rural environmental improvement and community development, and with a long history of accomplishments. It is obviously important and necessary that this existing structure be recognized and worked with rather than setting up new competitive structures. Jurisdictional competition between existing and established organizations and new organizations almost invariably results in reduced rather than enhanced accomplishment.

NO CENTRALLY DESIGNED BLUEPRINTS

The uniqueness of individual communities also mean that no blueprints for all rural areas can be drawn in Washington, the state capital, or anywhere else, except in rural America itself.

To try to develop rural area blueprints in Washington or in State

Capitals would result in faulty, inaccurate and unworkable plans. The data needed to intelligently develop rural America are not and cannot be available to any master planners in any central city—State or Federal.

Even if partially intelligent plans could be centrally drafted, it is doubtful that the people of rural America would accept them.

And even if they could be sold in some manner, it would not be morally right, in a democracy, to do so.

NO RIGID, UNIFORM PATTERN

There is no rigid, uniform nationwide and statewide pattern for rural community development terminology, organization or methods. Indeed, there should not be. Our States and rural districts, communities, counties, cities, and neighborhoods vary greatly, owing to differences in history, circumstances, traditions, structural organization and customary ways of doing things through social action. Each can best organize for development action in its own way.

Structure and Methods Adopted by an Area To Meet Its Needs

It is consistent with these basic principles to suggest that neighborhood, country, community, district, and State and multi-State regional planning and development organizations, by whatever name, to be most useful in the area covered, should have such functions and structures as people in that area choose to organize, and find from experience, work best for them. These organizational tools must be tailored and constantly adjusted to the needs and experiences of the people whose aspirations and status are most affected.

Like a Snowball Going Down Hill

Rural development, or its opposite, rural decline, are cumulative and self-accelerating. Once started down hill, an area finds it very hard to change direction. On the other hand, successful development seems to promote more development.

Look at Philadelphia and its metropolitan area which the American successors to the Dutch and English possibly have built too large; it was a rural area once—Penn's Woods. But as we do everything we can to promote rural development, if we decide as a nation to do so, let's make certain that we do not ruin the environment and make all the other mistakes we made, over approximately two centuries, in building the huge cities with the relatively ungovernable overcrowded, traffic-jammed, human and ecological pathology of today's megalopolis.

Nobody decided in 1750 to channel such a high proportion of the Nation's future population into Philadelphia and New York City. But it happened. It happened because we did not have the foresight to know where we were headed or we did not care enough until too late.

The Igniting Spark

My own observation and experience indicate that almost any simple successful effort to make any community improvement may serve to kick off and catalyze a successful comprehensive rural environmental improvement and community development process. All of us have seen how things as simple as painting mail boxes, or dedicating a county public forest and park can start things moving.

Many a small, multiple purpose watershed project (PL 566) has served as the initiating force. Many resource conservation and development projects, initiated under the 1961 amendments to Title III of (Land Utilization) Bankhead-Jones Act have served as stimulus and catalyst.

Around the world, experience has proven that spirit often overcomes cold blooded economics. Look at Israel, South Korea and Mexico. In another sense, look at Germany and Japan.

Necessary ingredients of successful town and country development seem to include morale, spirit, and working together—work, determination and a feeling of brotherhood—and most important—getting started.

Results Not Harness

The payoff in rural development doesn't come with formation of advisory councils, planning boards or committees nor even preparation of development plans. The payoff comes when local people start getting things done—when family farm income increases—when cash registers on Main Street start ringing more often and more merrily—when rural people begin to reap their fair share of our nation's economic growth—when rural people learn to work together to improve the quality of life in rural America.

GOVERNMENT

The willingness and ability of local units of general government to finance and carry out the functions required of them has a direct and significant bearing upon the direction and speed of rural development in the area.

Local Governments

For this reason, Maddox strongly recommends that Federal and State services to local rural governments be made an important component of the rural development effort. Some have suggested that reforms in the structures and procedures of local government be made a prerequisite of Federal and State grants for rural development purposes.

Various States and educational institutions have attempted to meet this need in a variety of ways. There are strong indications that State Land Grant Universities and experimental stations are now willing and eager to provide this service in coordinated cooperation with other private and public area technical institutes, community junior colleges, and 4-year colleges and universities. Pending legislation would establish a formal program.

In some State Universities, this responsibility is assigned to the Department of Political Science or Government in the College of Arts and Sciences. In others it is established as a university-level multidisciplinary institute. In still others the cooperative Federal-State Extension Service is the main source of such assistance in rural communities. The proposed new legislation would formalize and provide Federal funding for this undertaking.

Some States have established new Departments of Community Affairs as a part of State Government. However, most of these have a distinctly urban orientation.

Improvement in the operation of rural local governments is a prerequisite of success in rural development. Some provision should be made for it.

State Governments

Many state governments have established active industrial development or similar agencies and state planning and community affairs agencies. But, most of these are not specifically designed for nor adapted to the needs of rural environmental enhancement and community improvements. In a few States, the State Department of Agriculture have stepped in to assume some of this responsibility. Pending legislation to provide for revenue sharing or bloc grants for this purpose would enhance State capability.

Federal Efforts for Rural Development

To be successful, rural development must reflect consciously taken national and state decisions vigorously to promote rural development. It must be the subject of as least as strong a national and state policy commitment and as formally stated as that in the Employment Act of 1946.

The state legislature, and Governors, the US Congress and the President must spell it out in the myriads of policy and operating decisions that determine where Federal and State government efforts will be expended, where government installations will be located, and where Federal and State contracts will be channeled.

However, rural development must essentially be a Federally assisted program. Rural development involves attainment of a high priority national goal, but no state or community need await Federal initiative and the Feds cannot do the job alone, although they could and should do a great deal more than they are now doing. Unfortunately the most rural areas have less ability to initiate and finance their own development efforts.

To funnel Federal and state efforts and funds through a multiplicity of local governments, political entities and instrumentalities wastes energy, money and motivation; makes the process of delivering funds to the point where needed unduly cumbersome and the application process unduly time consuming.

In expanding rural development efforts and financial support, it will be better if both Federal and state programs deal directly with the person, firm, organization or government unit that will use, or put to use, the aid provided.

In rural development, as in nationwide government programs generally, we need to decide problem by problem, program by program, which responsibilities are Federal, which are State, and which are local. Having decided that, then, let that unit or level of government finance and operate its own program to fulfill that responsibility.

Adding layers of essentially sovereign levels of government to the structure set up to administer a single program simply adds to overhead, obscures responsibility, and buries the program efforts in overlapping layers of governmental bureaucracy.

Legislation, organizational structure, and executive regulations in program areas determined to lie within the Federal responsibility should then be recodified, rationalized, consolidated and repatterned so that they are non-duplicating, internally consistent, and each administered by a single agency in close collaboration with a Department of Agriculture and Rural Affairs.

Over the years, both the State and Federal governments have enacted and financed an increasing number of specific programs of financial and technical aid that are useful to community development leaders, entrepreneurs, and others who are interested in expanding rural community development efforts.

Specific Federal programs in this area now number more than 1,000; some States have almost as many—each important and each more or less directly useful to town and country development in its own way to the extent that it is adequately funded. These programs are administered by 12 U.S. cabinet departments and 50 independent agencies. There is no particular uniformity in how the programs are administered or in the structural nature of the delivery systems either in the Federal government or among the States.

What this suggests is that several Federal and State program components should be assigned to essentially non-duplicating straight line action agencies. The Federal government would not finance, or partially finance, State governmental programs; State governments would not be required to help finance Federal programs.

Rationalizing the present system to a more workable one would, of course, have to be gradually done a step at a time.

Both during the transitional period, and after the rationalized system of all of Federal and State rural development programs had been fully adopted, some very strong provision for coordination among them would be required.

If adopted, and adequately financed, the national land, water, natural resources, and physical features planning system would establish the framework within which separate programs would assist most community development planning and local rural development projects.

With specific application to developmental planning and coordination, probably the most workable pattern would consist of the following:

1. Multi-state regional development Federal-State commissions, on the Appalachian Commission pattern.
2. Strong State planning and development bodies under direct control of Governors;
3. Multi-jurisdictional substate planning and development districts such as Council of Government and areawide planning and development commissions;
4. Development planning and coordination capabilities for county and municipal government; and
5. Local, official neighborhood planning councils.

The system would involve people at the most basic local level in decision-making that affects their daily lives in their relative opportunity to attain their expectations.

Legislation required to establish this structure is on its way through the enactment process.

EDUCATION AND TECHNICAL ASSISTANCE

But if the local rural people are going to be able to do the job they want to do, they have a need for a great deal of knowledge, understanding and motivation. Everyone of the 53 components listed earlier requires it.

They need to know as much as they can find out about the physical, human and institution resources that exist in their neighborhood and their community.

Rural Development Education and Research Institute

President Varner of the University of Nebraska has proposed and the National Association of Land Grant Colleges and State Universities has adopted a recommendation that Land Grant institutions be provided with Federal finances to activate the entire campus and the resources of other public and private technical institutes, colleges and universities in the rural development activity. Representatives of State colleges and university systems and of community colleges have requested that they be included in the proposal to establish multidisciplinary rural development centers for research and education.

Local people and institutions need a full knowledge of all alternatives that are available to them in the development of their resources.

They have to evaluate their alternatives. They have to know about the aids and services that are available from Federal, State and local government, as well as private sources, to help them do the job. They have to have some knowledge of future demands for the products and services that may be produced with the resources they have. They have to know something about how to proceed with the development that they decide upon.

Some of the possibilities for developing the local resourecs to benefit the people of the community may lie in opportunities on which individuals can make decisions or take action in their own business operations. Others require group action. Some require action by Government.

No matter what the action may be, those who are in a position to take the action must understand it, must make the decision to take the atcion, must have the confidence, motivation, financial resources, and knowledge necessary to move ahead.

Group Action

Experience has shown that, in most rural areas, a very effective way of acquiring and imparting required knowledge is to work with and through groups of people, with lay committees and organizaions that involve all facets of the community's business, educational and other institutions and people participation along lines of the better Model Cities programs.

Experience has also shown that to work with such committees and subcommittees that have special interests within the community is an effective way of getting broad understanding throughout the community, and getting the support, the commitment, and the motivation for action that that is necessary by the many, many people, groups, and institutions if we are going to have balanced broad-scaled development of the community's resources.

Many rural areas lack such an organization and do not have adequate representation in such committees as do exist. In such rural communities an early step is an educational program that generates a desire in local people to form organizations through which they can work toward area development that will fulfill their own needs and aspirations. Such an organization is most likely to be effective only when it is composed of local people who see the need, who are ready to work together, who are ready to spend the time to take the initiative, and to accept the responsibility that will lead to success.

This role has been a responsibility of the Cooperative Federal-State extension service since the middle of the 1950's. This is a role which the Land Grant University and College System appears willing and eager to embrace if additionally financed.

RURAL RENAISSANCE

Neither rural development, as a process, nor the Federal and State governments share in it, is something dreamed up by a detached group of master planners who seek to impose it on Rural America—and it should not be.

Rather, Federal and State rural development efforts are the direct outgrowth of those of the strivings of rural Americans that have been expressed by them on election day by voting and later through their duly elected officials—Governors, State legislators, the President, the Congress, and local officials.

Governmental Response

Governmental rural community development activities—Federal, State, and local—are an appropriate democratic outgrowth and response, through the American system of government and political policy-making, to the articulated and expressed aspirations, striving and felt needs of the people of rural America.

Before any Government activity on rural development started, rural people had already taken the initiative; government in a general sense, serves them as they direct or allow.

It is important that employees of Federal and State government should see their roles in the proper perspective in this regard. Democratic government is an instrument of popular action—not its initiator, nor its dictator. Government programs make up but one of many instruments that people use to get done what they want to do—rural community development included.

Rural Aspirations

Since the beginning of World War II, there has been a growing awareness among the people of rural America of the problems brought on by heavy outmigration and a very basic concern for the permanence and quality of their rural communities; for the opportunities they provide; for the kinds of communities they are going to be, in which to live, work, and raise their faimlies in the future.

Rural people are much concerned about these questions. They talk about them in their local groups. They write about them. They vote about them. They have said they want their Federal and State governments to help try to make these the kinds of communities they want them to be.

Total development of resources of an area must begin with people. Any plans for change to be realistic must reflect the attitudes, the aspirations, the traditions, the values, and beliefs of local people.

Neither State nor Federal nor even local government employees can manufacture the aspirations of rural people nor should they attempt to manipulate them. But rural people can—through government—marshall the resources of Federal and State agencies as well as local government to help rural people develop new economic and social opportunities, to improve living conditions, and to use their resources for their own benefit.

Rural community improvement is based on the initiative, drive, determination and decisions of local people and their organizations. No one in Washington, in any State Capitol—or anywhere in government—can, or should, attempt to develop a group or area that doesn't want to be developed, nor to dictate the direction of development of those who choose the option of growth rather than those of stabilized status quo or of decline and decay. It is consistent with this point of view to believe that Federal and State efforts to meet broader objectives should be in the form of incentives rather than sanctions.

A FOLK MOVEMENT OF GRASS ROOTS ACTION

Rural development broadly defined as community improvement can best be understood as a nationwide effort of the people and by the people of town and countryside to develop the resources of their own areas to provide economic, educational, and cultural opportunites for those who wish to live there and their children.

It is a folk movement by which the local people study their own resources and their own opportunities, take responsibility and initiative for making their own decisions and then take forceful action to make their institutions—including the Federal Government—do for them what they want done to develop their own future. It is a folk movement in which the people themselves take the initiative and the responsibility and stay after Government and the Powers until favorable action is taken. It is a folk movement which demands action by the various agencies and pertinent units of government.

Rural development is not merely a Government program of any Department or agency of the State or Federal Government—nor of any county, parish, borough or town Government. It is a nationwide effort by rural people themselves, which includes private individual and group action as well as governmental policies and programs.

In attempting to carry out various phases of their development efforts, rural people and their organizations may and often do make rather insistent calls upon their Federal, State and local governments to provide educational, technical and financial resources not otherwise available. In addition to the traditional farm and commodity and cooperative organizations that have represented rural people a broadly-hoped newcomer—Rural Coalition of America has been organized.

It must be recognized, therefore, that governmental roles in environmental improvement and community development activities are responsive and supplemental—not authoritarian, compulsory and preclusive. The relationship is best understood as that of a private effort that is backed up, but not imposed, by Washington, the State Capitals, and local governments.

All of the officers and officials of Federal and State agencies and the local, district and State planning and decision making bodies are supposed to be responsive to and should be the subject of aggressive, straight forward "petitions" by rural people for the "redress of grievance" to use the language of the U. S. Constitution. The voice of town and country America will be heard, if used.

TURN RURAL AMERICA BACK TO WILDERNESS?

There are some growing numbers, who feel that what is wilderness now should be kept in wilderness, and I agree, and that much of rural America that has been settled and is now being depopulated should be returned to wilderness or semi-wilderness, with which I emphatically do not agree.

One, more sophisticated, version of this anti-development position runs in these terms. If people move on to or into scattered settlements of thinly populated areas—this endangers nature's environmental values—and creates a demand and a necessity for new additional social investment that would be "uneconomic."

The costs of such scattered isolated settlement are often large. Even one new cabin on a mountain potentially requires schools and sewerage disposal. Several of them in a group demand both centralized sewer, water, and electricity systems and require a rural transportation system. Where can their children go to school? How can they get there? What of the many other facilities and services demanded by modern expectations? All of these cost a great deal of money.

Wouldn't it be better, this point of view asks, to capitalize on our already existing social investment in the cities and make policies that would keep settlement compact, confined within small geographic areas, by means of high-rise apartments and offices, if necessary, rather than allowing it to be scattered out all over the countryside.

But what kind of compact settlements? How large? How far apart? Where located?

THERE ARE 70,000,000 RURAL AMERICANS

And what about the aspirations of 70 million Americans now living in town and country America for their own area, their own communities, and their children, and their towns? What about the aspirations of those urban Americans, expressed in successive Gallup and other attitude polls, indicating that an increasing proportion and well more than a majority of Americans, including city dwellers, would like to live outside the urbanized parts of metropolitan areas, if they could make a living there.

Many rural leaders, of course, feel that their own area or community should and can have more income, more jobs, a higher quality of community facilities and services and an expanding population. Many feel that channeling of a higher proportion of the nation's future population increase into town and country would be good for State and the Nation, helping to solve big city and urban problems as well as making city government more governable, while at the same time strengthening sparsely settled and declining rural communities with increased investment, economic opportunity, business activity, higher incomes, and a more nearly adequate tax base in a manner conducive to environmental enhancement with sure protection of ecological values.

NATIONAL BALANCED GROWTH POLICY

Responding to these and other conflicting pressures, Congress of the United States and the President have adopted a statement as strongly stated as the Employment Act of 1946, forcefully expressing a policy of town and country development to serve as the highest priority component of a national balanced-growth policy in title IX of the Agricultural Act of 1970.

The Nation now has an emphatic high priority governmental commitment to the stimulation of business and job expansion and better community facilities and services in rural areas similar in degree of national dedication to the praiseworthy national commitments to, for example, full employment, to small business, to anti-poverty efforts, or to more humane treatment of mental retardation.

RURAL AMERICA NEEDS AN ADVOCATE

Changes in the existing programs, and new programs, to meet unmet rural needs, are subject at all times to Congressional and legislative action, which originates with a Bill introduced by a Representative or a Seantor that is then considered by Committees of both House and Senate, and if approved submitted for floor action by each body, and usually for action by a Conference Committee of the two bodies to iron out differences, and finally to signature or veto by the President.

Funds to carry out each such enacted program must then be appropriated by Congress by seperate action in appropriation bills which follow a similar course to substantative bills from introduction in the President's budget to final Presidential approval or veto, after Congressional Committee and floor action.

More detailed rules and regulations governing the conduct of each program are established by the administering agency, which, subject to original allocation by the Executive office of the President, also determines the distribution of funds or assistance among competing claimants. These rules and regulations and formulas for distribution of the funds are subject to frequent change within the broad outline of the law, at any time by administrative actions of the Executive Branch, subject, of course to court review.

Moreover, funds for a particular purpose may be exhausted for a part or all of the country or impounded by the President.

Existing programs originated because past members of the House and Senate and past Presidents responded to insistent articulated demands for action.

New programs, and changes in old programs, to better meet the needs and changing conditions of town and country America will be brought about in the same manner. Similarly the adequacy of funds appropriated to carry out a program to meet the problem for which it is designed are dependent upon the clear expression of the extent to which available funds are sufficient or insufficient for the purpose intended.

If a listed program is not available in a local area, or if released funds are exhausted, the first appeal is upward through the hierarchy of the administering bureau or agency. Ultimate appeal is to a Headquarters official.

Often special presentation of problems and proposed project to intermediate managers in the regional and State offices and in the Washington office or the White House will be effective in obtaining desired results.

If appropriate response is still not forthcoming, members of Congress—U.S. Senators and Representatives—can often bring about the desired results either by persuasion with the administrators or by enactment of new legislation.

A New Era of Civilization

All of us in America are deeply dedicated by historic devotion—to the people of rural America—and thereby to be leaders in a movement that is moving civilization around the world into a new and higher plane of world history.

We should recognize that in doing so, we are participating—and deeply involved—in a great historic movement by which our nation, and the other highly developed, highly industrialized democratic nations of the free world, are moving into a new, more advanced stage of civilization—a new age which future historians and sociologists will likely call "The Rural Renaissance."

Except for the one-fifth of our population that is needlessly caught in the coils of poverty, we are an affluent nation—an affluent people.

A NEW RURAL ERA

Examine what observant sociologists, economists and land planners have been reporting about the basic drives of American people—where we want to live and work and play.

First, as working hours grow shorter and wages and incomes rise and transportation facilities improve, the most rapidly rising trend has been a rush to the open countryside to recreate mind, spirit, and body in healthful outdoor recreation. This is a constant phenomenon of every weekend, holiday, and vacation period. It means more visitors in rural areas and more jobs, businesses, and income to cater to their needs and desires. It, also, implies that the human animal looks to the open country as his most congenial environment. Traffic jams on highways out of and highways into any city at the beginning and close of any weekend are documented hard data of this tendency.

The second indication of the longing of the center of civilization to return to its home in the open countryside is seen in the high social status of exurban living—that is of moving to the open country out beyond the suburban fringe into truly rural areas.

And the third indication is seen in the studies of the migration and resettlement of those fortunate few among older Americans who have sufficient retirement income to retire where they want to live. Increasingly large proportions of affluent retired Americans are moving to the small towns of rural America and rural communities in other countries. In many rural areas these newly retired settlers with their retirement checks, have provided the community with additional new income equal to a new industry.

Certainly these are indications that in a society where people are affluent enough to choose where they want to live, they often choose to live in or near the open country.

NEW OPPORTUNITY FOR CREATIVE LIVING

No longer is it necessary for the factory, shop or market, by the need for power, to be tied to the river waterfall, or by the need for communication and transport be tied to the harbor or railroad. Rural electrification, rural telephone systems and better highways and truck transportation on better roads have changed that. Now it is economically feasible for America's people to live and play where they seem to prefer—in the rural countryside—and to work and be able to earn a living where they want to live.

This possibility is an exciting new dimension of advancing civilization. It sets the stage for the probability that in our time history will step up to a new and higher plan of creative living—where all of us, who chose to, can live, play and work in the open countryside which a very large proportion of mankind seems to prefer.

CHARACTERISTIC OF ADVANCED STAGE OF CIVILIZATION

This is neither a temporary nor a local phenomenon. Nor is it confined to the United States alone.

Rather the hopeful climb into rural renaissance is widespread throughout those democratic nations of the free world that have reached a comfortable plane of personal, private income based upon a highly industrialized, highly automated and highly developed national economy.

Canada.—Professional people and local and national leaders of Canada began discussing their national Rural Areas Development program prior to 1955. It began about the same time as ours in the United States.

Western Europe.—Several week-long rural areas development seminars have been held in Paris, France over the past two decades under the auspices of the Organization of European Economic Cooperation, official representatives of all the highly developed, highly industrialized democratic nations of the free world. These seminars discussed national rural areas development programs now underway in their home countries.

Similar meetings have continued, both national and multinational. Meeting after meeting has adopted broad statements of policy and concepts directing international attention to national rural areas development, and environmental improvement, including hard hitting statement of need, means and methods for eliminating the causes of poverty among low income farm families. Similar efforts within the European community continue both to help the farm problem and to decentralize population out of major cities.

Search to revitalize fundamental values.—These simultaneous developments in Canada and in the nations of Western Europe, and in the United States from the middle fifties on are not a case of one nation's following the lead of another. And recent indications are that Japanese policy is now moving in this direction. Rather, the response of democratic national governments to expressed needs of their rural people have simultaneously resulted in governmental attention to rural areas development at this particular stage in their national life histories.

All those nations have more or less attained the degree of material affluence afforded by the successful conclusion of the industrial revolution. Now they are reaching deeply back into their own culture to recapture the basic social values of their ways of life that have been threatened by rural decline in the five decades following World War I.

Renaissance of Basic Values of Democratic Society

What is happening in all these highly developed, highly industrialized democratic nations at about the same time on their historic growth curves is this: First, they have recognized they lost something basic to their national being in their rush to become industrialized, to build huge cities and metropolitan areas and to increase so greatly their material levels of living by extension of scientific knowledge through widespread use of improved technology. Rural institutions and values had been allowed to deteriorate and decay from neglect and inattention. Governments and peoples realize they had weakened some of the basic values of their societies which were grounded in rural living and had found their genesis there. In the course of it, the heart of long held values of Western civilization itself were weakened and endangered.

GOVERNMENTS RESPOND TO RURAL ASPIRATIONS

The people of rural areas throughout all these highly developed democratic nations, as in our own, became concerned about their future and the future of their communities. (Louis Hacker, New York Times Magazine, 1958.) This common characteristic of all of the highly developed countries brought action of one kind or another in almost all of them.

These nations, being democratic are responsive to the expressed and felt aspirations of their people. They found it necessary and desirable to go back and rediscover, to rebuild and to strengthen the foundations of society itself. These, they discovered, were the very foundations of values of rural life from which the beginnings of Western civilization sprang.

SIMILAR AIMS

Not only is the national striving of civilization to attain a rural renaissance widespread among the developed democratic nations—also widespread among them is a similarity of aims that rural people and nations are striving to attain and to which national governmental efforts are being devoted.

In all these nations, the signals are clear,

The motivating aims for rural development can be alternatively stated about as follows:

1. Preserve and strengthen the family farm system of agriculture.
2. Increase the income of rural people and eliminate the causes of under-employment in rural areas.
3. Make continuous and systematic efforts to eliminate the many and complex causes of rural poverty.

4. Expand rural job opportunities.

5. Set up and operate manpower development and employment programs for all rural ablebodied people.

6. Create new factories, stores, trades, recreational enterprises, crafts, and services of all kinds in rural areas.

7. Strengthen and expand opportunities for rural cooperatives.

8. Expand rural opportunities for and the supply of doctors and other professional people in rural communities.

9. Encourage more rapid development of recreation facilities on rural land to provide farmers, rural landowners, and rural businessmen with a new source of income, and, at the same time, serve the needs of our growing numbers of urban population as well as the rural population.

10. Encourage adjustments of land into patterns which utilize each acre and resource according to its full capabilities and treats each resource and acre as its unique needs require.

11. Provide technical and financial assistance necessary to conserve, use and develop soil, water, forest, fish and wildlife, and open spaces of our nation.

12. Help rural people improve existing community facilities or, where needed, build new ones, so that they have pure water supplies, first-rate schools and hospitals, adequate streets and roads, and other services that are standard in a modern community.

13. Develop new and improved opportunities for creative and satisfying rural life, work and recreation for all who choose it.

Vast Resources of Trained Local Rural Leadership

As we continue to move forward in the vast nationwide private and public rural development effort, we can be thankful of our inheritance of trained lay rural leadership, thanks to the great leaders of the past, such as President Franklin D. and Theodore Roosevelt, and Woodrow Wilson, Gifford Pinchot, and Under Secretary of Agriculture M. L. Wilson, and Extension Director Knapp and many others who initiated programs and ideas based upon faith in, and development of independent, informed, local rural leadership.

The story is well known, Soil and Water Conservation Districts and their elected boards of directors and supervisors; the thousands who have served on the boards of all kinds of rural cooperatives; farmer-elected county and community committeemen; hundreds of thousands of elected officials of local governments, the forestry organizations backed up by state foresters and conservation directors; the volunteer Extension advisory committeemen; local sponsors of watershed protection and rural renewal and resource conservation and development projects; and experienced officials of local government.

These hundreds of thousands of alert, informed, sophisticated, vigorous rural local leaders are not only an inheritance of resources of great current value and usefulness, they, also, are a resource upon which rural America can and should place increasingly great reliance in the future.

PEOPLE ARE WHY WE ARE CONCERNED

The purpose in view of rural environmental improvement and community development is to enable rural Americans and indeed all Americans to step up to the higher plane of civilization in a new era of history.

Our people are surging toward a rural renaissance—unwilling to accept rural decline as inevitable—striving to move into the new age of history whose abundance has put a new kind of creative living well within the threshold of probability.

The developed democratic nations of the world are thrusting into a rural renaissance of creative living because their peoples demand it. To move with the grain of history, when it is moving in the right direction, is certainly more constructive than moving against it.

As we join the move of the nations to a new and higher plane of civilized living, we must in all our thinking and working politically, professionally, and personally bear always in mind that at center stage, with a hopeful look on his face is the individual human being.

Truly, each person has a unique worth that makes all our efforts worthwhile.

FEDERAL SPENDING IN RURAL AREAS

Article from the Farm Index, February 1972

Federal spending in all counties in the United States amounted to upward of $200 billion in fiscal year 1970. How much went to rural areas?

Part of the answer is contained in a recent ERS report prepared for the Senate Committee on Government Operations. The report's broad objective is to describe the geographic distribution of Federal outlays in the United States and to examine the implications for future economic development.

Specifically, the analysts looked at 242 Federal programs operating in 2,970 counties in the 48 contingnous States. Outlays under these selected programs totaled $148 billion in fiscal 1970.

A key finding of the ERS study was this: when total outlays were divided by the number of persons living in metropolitan and nonmetropolitan counties, the nonmetro counties got considerably less than the metro areas. The difference was found to be 17%—$680 per capita for the nonmetro counties as opposed to $779 in the metro ones.

"Metro counties," are those within the Standard Metropolitan Statistical Areas (SMSA's). SMSA'a have at least one city of 50,000 people or more, or twin cities with a combined population of 50,000 or a contiguous county that is economically integrated with a central city.

The counties in this study were also grouped in six categories by urban orientation—highly urban counties; urban; semi-isolated urban; densely settled rural; sparsely settled rural with urban population; and sparsely settled rural with no urban population.

The yardstick of urban orientation showed that nearly 57% of Federal outlays in fiscal 1970 accrued to the highly urban counties. Only 3.3% went to sparsely settled rural areas with no urban population.

Essentially, the per capita distribution generally favored the more urban-oriented counties.

Federal outlays per person were highest in the semi-isolated urban counties—$835. The least favored were the densely settled rural counties ($449 per person) and the sparsely settled rural counties with some urban residents ($612).

The per capita outlay for the densely settled rural counties was 40% below the national average, and 18% below for the sparsely settled rural counties.

"But more important than the aggregate disparity is the extent to which nonmetropolitan areas fail to share proportionately in the benefits of specific programs," the ERS report said. One illustration is Federal spending for human resources in counties with pronounced population declines.

Of the 242 programs reviewed by ERS, 106 involved human resource development. Outlays for the selected human resource programs totaled $55 billion, or 36% of all 1970 outlays for the programs examined. Four-fifths of the $55 billion went for social security, other retirement benefits, and welfare payments. Less than 5% was for elementary and secondary education.

Declining population counties in the metro group had four times greater welfare payments per capita than the nonmetro ones . . . four times the per capita outlays for health services . . . and three times the outlays for manpower training and development.

Federal funds for elementary and secondary education were about equal in both the metro and nonmetro counties with rapidly declining populations.

Taking all counties, the nonmetro areas got a smaller share of outlays for programs aimed at the poor. About half of all children between the ages of 6 and 17 in families with incomes below the poverty line lived in nonmetro counties.

Yet in 1970 nonmetro areas received only 41% of the outlays for Title I of the Elementary and Secondary Education Act, 36% of Headstart Follow Through, 24% of Aid to Families with Dependent Children (AFDC), and 20% of all Child Welfare Service funds.

Old Age Assistance payments appeared to be more equitably distributed than were outlays for the AFDC and child welfare services.

As gauged on the scale of urban orientation, the story for human resources shows that the highly urban counties with sharp population decreases got substantially more money per capita than any other urban orientation group in 1970.

For community development programs—totaling $26 billion—the outlays were again much higher in metro areas than the nonmetro—$136 per person versus $98. Outlays were lowest in densely settled rural counties, only 62% o fthe national average.

Housing loans, the largest type of community development program, turned up a wide gap between metro and nonmetro counties. The latter had outlays of $38 per person against $86 in the metro counties. While the nonmetro areas had roughly two-thirds of all substandard housing units in the late 1960's, they received only 16% of all housing assistance in 1970.

Earmarked for agriculture, mostly farm programs, and natural resources were $9 billion. They averaged $14 per capita in metro counties and $118 in nonmetro counties. By urban orientation groups, expenditures were substantially higher in the two sparsely settled rural county groups than in any other group. But, such outlays accruing to densely settled rural areas were only slightly above the national average of $45 per person, and less than one-half of the outlays in semi-isolated urban counties.

Of all Federal programs, the outlays for Defense, the National Aeronautics and Space Administration, and the Atomic Energy Commission far outshadowed the others. They made up $64 billion, nearly half of all 1970 outlays examined. Over $8 in $10 spent for these programs went to metro areas, leaving them with a per capita figure of $364—twice that of the nonmetro counties.

In the highly urban areas, outlays for these purposes were highest where population was declining the fastest. In the less urban places, bigger defense outlays were associated with higher rates of population growth.

Why the differences between Federal outlays in the countryside and the cities?

First off, many Federal programs are directed at groups of people who are not spread proportionately across the country. One wouldn't expect, for example, that Federal money for poverty programs or for farm commodity programs be distributed in the same proportion as the total population. Thus, large volumes of welfare payments go to the low income counties and most of the agriculture payments to sparely settled rural areas.

Outlays of other Federal programs—like national defense, space exploration, and basic health research—are determined more by the location of the producer of the product than by the location of the beneficiary.

Some disparities in the outlays for any 1 year are explained by the intended impact of the program. Such outlays as those to finance highways or community services don't yield their benefits for many years. It's hard to judge in these cases whether expenditures are inadequate or excessive, or precisely whom they are benefiting.

Other differences in Federal outlays have to do with the capacity of the recipient to raise the money to match the Federal outlays.

This becomes difficult in many rural areas because of low incomes. In addition, because of sparse populations, the benefits per dollar of expenditure are not as great as in the more urban-oriented areas.

"For some purposes," the ERS report concludes, "Federal outlays may need to be substantially higher in (1) low-income areas where ability to provide services from State and local sources is lower than in higher income areas, (2) areas of low population density which have a more difficult time achieving economies of scale and providing services, and (3) areas where the existing infrastructure (schools, roads, hospitals, etc.) is inadequate."

FEDERAL OUTLAYS IN FISCAL 1970: WHERE THEY WENT

[Dollars per capita]

Program	Total	Metropolitan status of recipient counties		Urban orientation of recipient counties					
		SMSA	Non-SMSA	Highly urban	Urban	Semi-isolated urban	Densely settled rural	Sparsely settled rural with urban population	Sparsely settled rural without urban population
Human resources:									
Elementary and secondary education	12	11	14	11	12	13	13	15	20
Health services	11	13	7	14	11	7	4	4	2
Social security and other retirement	182	176	196	178	178	186	185	203	219
Welfare	40	40	41	41	28	49	36	51	54
Employment opportunities and manpower training and development	7	8	5	8	6	6	6	4	8
Total	268	265	276	270	248	278	250	290	318
Community development:									
Urban renewal	10	11	7	12	10	8	6	5	4
Development grants	5	6	3	5	7	3	3	2	3
Development loans	8	5	15	4	8	13	11	21	32
Housing loans	72	86	38	91	58	61	31	34	30
Transportation	28	26	33	25	24	39	25	35	66
Total[1]	124	136	98	138	109	125	77	97	137
Agriculture and natural resources:									
Direct payments and conservation	23	8	58	6	11	58	30	77	137
Loans	16	3	45	1	5	44	19	63	116
Natural resources	6	3	15	2	2	22	3	20	29
Total[2]	45	14	118	10	18	125	52	160	281
Defense, NASA and AEC:									
Defense payrolls	111	123	81	119	126	183	17	23	21
Defense contracts	167	207	74	236	121	107	39	38	24
NASA	18	22	7	29	10	2	2	0	0
AEC	13	14	15	13	10	16	11	3	26
Total[2]	307	364	177	397	267	308	69	65	72
Total[2]	745	779	668	815	641	835	449	612	808

[1] Totals do not equal sum of individual program types because of exclusion of minor program types.

[2] Because of rounding, individual program types may not sum to total.

Report from the Office of Management and Budget

Executive Office of the President,
Office of Management and Budget,
Washington, D.C., February 18, 1972.

Hon. Hubert H. Humphrey,
Chairman, Rural Development Subcommittee, U.S. Senate, Washington, D.C.

Dear Mr. Chairman: Your letter of November 18, 1971, requested information on rural/nonrural population distribution and Federal program expenditures that benefit rural residents, businesses, local governments and their instrumentalities. On December 28, 1971, I sent you information which was readily available at that time and indicated that additional information would be sent at a later date.

Enclosed is an estimate of rural outlays as a percentage of total outlays for various Federal programs and activities. The definition used for "rural" is consistent with that used by the President in his message to the Congress on the Special Rural Community Development-Reveune Sharing proposal.

In using this data it is important to realize that over 78 percent of the geographic distribution of Federal funds below the State level are based on statistical derivations. I would also like to point out that the term "outlays" is used in a more general sense then as conventionally used in the Federal Budget.

Sincerely,

George P. Shultz, *Director.*

Enclosure.

Comparisons of Rural to Total Federal Outlays for Selected Programs and/or Accounts for Fiscal Year 1971 [1]

"FEDERAL OUTLAYS" AS USED IN THE OEO FEDERAL OUTLAYS REPORT

"Federal Outlays" generally means obligations of government administered funds, except deposit funds. However, in some instances the data may represent costs or expenditures.

Outlays for insured and guaranteed loan programs include the face value of the loans rather than the cost of the program operation.

Program	Total outlays	Rural outlays	Percentage
DEPARTMENT OF AGRICULTURE			
Feed grain direct payments	$1, 503, 213, 600	$1, 372, 781, 746	91. 32
Cotton direct payments	917, 482, 538	839, 240, 941	91. 47
Cropland adjustment program	73, 487, 940	65, 409, 090	89. 00
Cropland conversion program	185, 045	160, 665	86. 82
Conservation reserve program	925, 515	832, 824	89. 98
Wheat direct payments	873, 181, 593	827, 163, 455	94. 72
Wool Act program	68, 910, 815	64, 674, 692	93. 85
Sugar Act program	85, 867, 212	64, 747, 250	75. 40
Indemnity payment to dairy farmers	164, 640	99, 626	60. 51
Commodity Credit Corporation inventory operations	708, 945, 258	338, 573, 088	47. 75
Farm ownership loans	268, 240, 580	255, 909, 450	95. 40
Soil and water loans to individuals	8, 624, 960	8, 422, 170	97. 64
Farm operating loans	274, 949, 150	258, 341, 210	93. 93
Economic opportunity farm operating loans	1, 570, 310	1, 542, 610	98. 25

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[1] Basic data obtained from the Draft OEO FY 1971 Report of Federal Outlays. "Rural" as used in this compilation is consistent with that used in the President's Rural Revenue Sharing Proposal.

Program	Total outlays	Rural outlays	Percentage
DEPARTMENT OF AGRICULTURE—Continued			
Indian and acquisition loans	$5, 000, 000	$5, 000, 000	100. 00
Irrigation loans	6, 947, 000	6, 947, 000	100. 00
Emergency loans	127, 082, 255	119, 902, 755	94. 35
Marketing services matching funds grants	1, 675, 000	309, 488	18. 47
Sale of agricultural commodities for foreign currency	145, 512, 584	11, 080, 570	7. 61
Long-term dollar credit sales	437, 314, 944	61, 419, 552	14. 04
Foreign donations program	182, 971, 478	23, 067, 294	12. 60
Short-term credit sales	390, 797, 663	32, 022, 728	8. 19
Barter program	621, 949, 722	74, 912, 558	12. 04
Export payments	179, 268, 443	15, 689, 399	8. 75
Direct food distribution to families	300, 170, 623	203, 818, 984	67. 90
Direct food distribution to institutions	27, 278, 164	11, 466, 807	42. 03
Meat and poultry inspection	141, 947, 383	53, 952, 772	38. 00
Direct food distribution to schools	168, 908, 555	88, 723, 271	52. 52
Other food distribution program costs	12, 526, 556	9, 984, 038	79. 70
Comprehensive planning grants	2, 642, 650	2, 321, 350	87. 84
Low- to moderate-income housing loans	1, 362, 188, 840	1, 197, 433, 050	87. 91
Rural rental housing loans	26, 788, 690	23, 564, 880	87. 96
Farm labor housing loans	474, 300	459, 400	96. 85
Farm labor housing grants	763, 550	736, 550	100. 00
Very low income housing loans	5, 492, 080	5, 363, 830	97. 66
Mutual and self-help housing, FHA	1, 871, 160	1, 271, 410	67. 94
Rural housing site loans	1, 458, 470	1, 274, 320	87. 37
Water system loans	156, 427, 100	143, 322, 400	91. 62
Water system development grants	19, 301, 900	17, 979, 200	93. 14
Sewer system loans	70, 517, 030	62, 825, 330	89. 09
Sewer system development grants	16, 336, 800	14, 258, 300	87. 27
Rural electrification loans	361, 817, 337	335, 060, 499	92. 60
Rural telephone loans	125, 000, 000	112, 767, 982	90. 21
Nonfarm enterprise loans	856, 880	773, 370	90. 25
Agricultural conservation program	165, 342, 628	145, 621, 214	88. 07
Emergency conservation measures	18, 430, 371	15, 487, 074	84. 03
Appalachian region conservation program	2, 075, 999	2, 007, 117	96. 58
Great Plains conservation program	15, 974, 124	15, 107, 954	94. 57
Conservation technical assistance	115, 969, 773	87, 088, 063	75. 09
Soil survey program	22, 780, 428	12, 527, 350	54. 99
Conservation plant materials centers	1, 293, 586	1, 020, 771	78. 91
Forest roads and trails program	151, 343, 033	128, 157, 430	84. 68
Timber development organizational technical assistance	27, 927	2, 109	7. 55
Recreational facility loans	1, 632, 200	1, 248, 500	76. 49
Recreation (individual)	1, 090, 160	940, 360	86. 25
Resource conservation and development	13, 565, 177	11, 304, 759	83. 33
Flood prevention program	19, 523, 652	17, 071, 415	87. 43
Watershed protection	6, 757, 400	6, 477, 400	95. 85
River basin surveys and investigations	6, 980, 440	1, 995, 641	28. 58
Snow survey program	984, 342	601, 069	61. 06
Plant and animal disease and pest control	85, 197, 838	23, 450, 969	27. 52
Farmer cooperative service	1, 872, 208	0	0
Commodity loans—gross	1, 740, 902, 802	1, 631, 876, 915	94, 21
Storage facility loans	30, 038, 375	28, 885, 343	96. 16
Reseal loan storage payments	69, 389, 591	68, 146, 194	98. 20
Loan financing expenses	5, 916, 828	703, 681	11. 89
Donation of commodities to school lunch	69, 734, 997	34, 666, 245	49, 71
School lunch program—cash payments	438, 901, 430	235, 209, 209	53. 59
State administrative expenses	2, 038, 057	378, 230	18. 55
Special food service program for children	14, 522, 627	3, 861, 610	26. 59
Child breakfast program	16, 706, 511	7, 994, 588	47. 85
Nonfood assistance to schools program	25, 360, 061	14, 781, 371	58. 28
Purchase committee for donation to schools	62, 536, 474	18, 715, 131	29. 92
Food prevention loans	228, 000	228, 000	100. 00
Purchase of committee for direct food distribution	255, 142, 827	77, 002, 171	30. 18
Greenspan program	34, 794	32, 412	93. 15
Public access program	2, 217, 539	2, 024, 735	91. 30
Food stamp bonus coupons	1, 554. 822, 705	652, 714, 959	41. 98
Other food stamp program costs	12, 222, 275	1, 812, 072	14. 82
Water and sewer system loans	34, 759, 800	32, 270, 600	92. 83
Water and sewer development grants	5, 716, 500	5, 551, 800	97. 11
OEO cooperative loans	1, 030, 000	997, 000	96. 79
Other economic opportunity loans	7, 900	4, 700	59. 49
Watershed planning	6, 923, 124	2, 691, 510	38. 87
Watershed works of improvement	76. 528, 798	52, 011, 645	67. 96
Shared revenues from national forests	70, 996, 615	68, 153, 627	95. 99
Payments to Minnesota	258, 006	258, 006	100. 00
Payments to school funds	84, 338	79, 405	94. 15
Shared revenues from national grasslands	511, 935	511, 554	99. 92
Payments to States for school milk	88, 561, 310	34, 960, 835	39. 47
Water and sewer grants	2, 732, 060	2, 732, 060	100. 00
Agricultural research service research	161, 134, 015	54, 069, 304	33. 55
Grants for research	69, 264, 483	38, 996, 864	56. 30
Economic research service	15, 948, 683	2, 011, 514	12. 61
FCIC indemnity payments	38, 925, 476	35, 475, 557	91. 13

Program	Total outlays	Rural outlays	Percentage
DEPARTMENT OF COMMERCE			
Personal census age search	$1,296,898	$1,292,113	99.63
Census data	96,685,069	3,794,354	3.92
Grants and loans for development facilities	80,399,194	47,052,494	58.52
Loans to business or development companies	31,469,247	24,026,564	76.34
Economic development—Technological assistance, research, and information	13,021,051	2,864,561	21.99
Economic development districts—Development facilities	63,236,030	55,274,330	87.40
Economic developments districts—Commercial and industrial	18,481,509	18,481,509	100.00
Economic development districts—Administrative assistance	4,998,348	4,128,466	82.59
Title V regional commissions	12,055,000	9,670,000	80.00
River and flood forecasting	5,867,154	550,228	9.37
Weather monitoring and prediction	140,367,178	25,585,084	18.22
Fisheries assistance (subsidiary)	269,103	25,900	9.62
Operating differential subsidies	268,021,000	0	0
Financial aid to State marine schools	375,000	150,000	40.00
Financial aid to State marine school cadets	960,000	431,200	44.90
State marine schools M. & R. of training ships	972,239	205,299	21.11
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE			
Manpower development and training grants	137,407,303	21,504,713	15.65
Public broadcasting corporation grant	23,000,000	0	0
Manpower development and training activities	114,685	10,633	9.27
American Printing House for the Blind	1,517,000	0	0
National Technical Institute—Operations	3,965,060	0	0
National Technical Institute—Construction	310,103	0	0
Model secondary school—Operations	3,113,600	0	0
Gallaudet College—Operations	5,441,515	0	0
Gallaudet College—Construction	1,124,275	0	0
Howard University—Academic program	41,387,000	0	0
Howard University Freedman Hospital—Operation	12,285,000	0	0
Howard University—Construction	42,061,549	0	0
Training programs, higher education	10,030,629	3,599,102	35.88
Planning and evaluation, higher education	549,567	0	0
State administration and planning	5,936,104	1,378,232	23.21
College teacher fellowships	47,350,000	13,730,900	28.99
State grants educational professions, development	15,050,344	3,193,002	21.21
Personnel development programs	102,875,093	26,580,493	25.83
Attracting qualified persons	489,300	0	0
Vocational educational personnel	6,726,841	1,769,240	26.30
Manpower data collection	910,746	42,043	4.61
Planning and evaluation, educational professions development	608,203	0	0
Follow through program	64,233,296	23,995,364	37.35
Assist to refugees (Cuban) in United States	20,955,243	399,616	1.90
Teacher exchange and development	413,299	411,158	99.48
A. & R.F.I.M.B.—Civil defense adult education	1,660,000	416,599	25.09
Higher education student loans	14,981,915	1,834,586	12.24
HEFA loan fund operating costs	71,149	38,614	54.27
Loans to higher educational institutions (capital outlays)	13,068,000	7,264,000	55.58
Teacher development exchange fund	21,700	21,700	100.00
Special education, pers and prog-lea	63,711,678	34,264,418	53.78
Special education, pers and prog-nlea	8,141,124	2,780,298	34.15
University centers	94,388	0	0
Federal evaluation	1,099,723	1,060	.09
College for agriculture and mechanical arts	2,672,500	900,000	33.67
Appalachian vocational education construction grants	14,078,664	1,185,923	8.42
Appalachian supplemental construction grants	11,372,563	3,318,670	29.18
Administrative expenses	25,000	0	0
EDA—Public works—Program assistance	318,555	318,555	100.00
Adv. and reimb. child advocacy program	359,641	0	0
Public works, undergraduate instruction equipment	6,331,338	2,220,080	35.06
Headstart grants	325,558,423	147,437,713	45.28
Interlibrary cooperation	2,175,021	729,473	33.53
Grants for public libraries	34,446,052	5,612,334	16.29
State institutional library services	1,966,435	650,273	33.06
Library services to physically handicapped	1,246,597	415,988	33.36
Construction of public libraries	8,439,348	1,579,282	18.71
College library resources	9,945,445	3,431,833	34.50
Librarian training	3,869,439	905,426	23.39
Cataloguing by the Library of Congress	6,579,250	0	0
Educational broadcasting facilities	10,950,000	2,219,801	20.27
Planning and evaluation, community education	347,090	0	0
Training and advisory services	14,434,767	5,184,021	35.91
S. & E., reimbursable, OE	2,379,396	2,379,396	100.00
State advisory councils	2,380,000	710,821	29.86
Consumer and homemaking	21,246,841	3,396,663	15.98
Vocational work study	5,651,286	899,029	15.90
Cooperative education, vocational education	18,245,774	4,735,085	25.95
Vocational innovation	12,450,928	4,392,455	35.27
Curriculum development	5,360,848	2,446,923	45.64
Vocational research	33,732,075	7,083,945	21.00
Adult basic education—Grants to States	365,519,184	57,964,210	15.85
Adult basic education—Special projects	6,647,879	2,737,000	41.17

Program	Total outlays	Rural outlays	Percentage
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE—Con.			
Adult basic education—Teacher education	$3,049,561	$893,418	29.29
Planning and Evaluation, vocational education	526,259	0	0
Programs for students with special needs	20,903,113	3,201,447	15.31
Educational deprived children	1,462,084,866	648,699,335	44.36
Supplementary educational centers	144,227,789	28,310,110	19.62
Library resources	79,990,425	11,267,950	14.08
Equipment and minor remodeling	49,574,123	7,287,355	14.69
Dropout prevention	9,964,799	4,626,432	46.42
Bilingual education	23,753,871	8,012,057	33.72
Stengthening State department of education	30,052,956	6,166,052	20.51
Planning and evaluation, ESEA	8,547,288	1,586,585	18.56
SAFA—Maintenance and operations	481,039,200	188,654,760	39.21
State grant programs	34,071,568	5,849,476	17.16
Early childhood projects	6,480,457	1,316,101	20.30
Teacher education	31,471,553	9,141,373	29.04
Physical education and recreation training	746,079	180,704	24.22
Recruitment and information	499,608	0	0
Handicapped research/demonstration	15,121,892	2,776,619	18.36
Physical education and recreation research	299,161	0	0
Regional resource centers	2,608,155	1,483,520	56.88
Innovation programs (deaf-blind centers)	4,500,000	300,000	6.66
Media services and captioned films	5,327,641	833,648	15.64
Planning and evaluation, educating handicapped	213,633	893	.41
Grants to American institutions overseas	2,857,225	604,452	21.15
Educational laboratories	23,940,073	869,000	3.62
Research and development centers	9,923,225	1,216,443	12.25
General education, research, and training, OE	22,793,391	3,873,385	16.99
Evaluations, research, and training, OE	3,281,218	30,000	.91
National achievement study	4,500,000	0	0
Nutrition and health	2,000,083	181,112	9.05
Major demonstrations—Anacostia	2,150,000	0	0
Experimental schools	12,956,643	1,189,982	9.18
Dissemination, research, and training, OE	7,269,800	576,454	7.92
Training, research, and training, OE	3,089,420	848,545	27.46
Statistics, research, and training, OE	1,888,875	139,531	7.38
Construction, research, and training, OE	39,000	0	0
Educational opportunity grants	214,046,352	81,316,224	37.99
Workstudy program	165,339,715	69,441,574	41.99
Direct loans	240,110,347	88,885,427	37.01
Insured loans	136,277,534	3,276,466	2.40
Talent search	4,648,990	1,043,582	22.44
Upward bound	28,459,540	11,033,133	38.76
Special services in college	14,713,000	4,893,000	33.25
Annual aid to land-grant colleges	10,080,000	3,105,339	30.80
Strengthening developing institutions	33,849,999	16,444,958	48.58
University community services	9,374,671	2,422,783	25.84
Language training and area studies	7,854,227	888,309	11.30
Undergraduate instructional equipment plus other resolutions	6,989,658	3,072,208	43.95
Construction grants	1,341,132	616,698	45.98
Subsidized construction loans	18,174,457	5,825,944	32.05
Administrative expenses, manpower development	141,642	0	0
Appalachian demonstration health projects	15,315,909	7,422,187	48.46
NIMH manpower development	17,276,118	4,061,478	23.50
NIMH construction of community health centers	17,911,194	6,339,819	35.39
NIMH staffing of community health centers	77,904,285	30,205,267	38.77
NIMH narcotic addict treatment	659,524	14,365	2.17
Mental health research grants	12,985,331	1,037,102	7.98
Mental health direct operations	18,656,249	725,313	3.88
CHP partnership for health planning grants	30,622,388	4,018,925	13.12
CHP partnership for health formula grants	96,851,347	18,063,986	18.65
CHP partnership for health project grants	87,966,940	12,252,357	13.92
CHP migrant health grants	18,548,257	5,814,281	31.34
CHP standard-setting and resource development	465,341	46,225	9.93
HS studies, training, and systems development	41,834,835	1,027,121	2.45
Maternal and child health services	116,867,795	53,155,697	45.48
Maternal and child health family planning	23,971,849	6,097,596	25.43
Maternal and child health project grants	77,641,708	19,111,736	24.61
Maternal and child health research and training	1,133,568	781,375	68.93
Mental retardation grants	6,212,036	1,879,091	30.24
RMP grants (planning, development, and projects)	74,766,413	11,398,252	15.24
RMP technical assistance and disease control	1,018,532	317,115	31.13
CD laboratory improvement program	61,211	0	0
Communicable diseases grants	404,038	54,852	13.57
Communicable diseases direct operations	3,162,469	640,261	20.24
Medical facilities construction	31,237,642	15,767,958	50.47
Construction hospitals and public health clinics	1,367,619	978,144	71.52
Construction long-term care facilities	23,193,656	12,726,398	54.87
Construction diagnostic and treatment center	10,036,661	1,042,226	10.38
Construction rehabilitation facilities	7,718,440	2,472,834	32.03
Health facilities, construction and modernization	34,117,190	8,326,370	24.40
Medical facilities construction, District of Columbia	24,325,226	0	0
Patient care and special health services	20,000	0	0
NHS vital and health statistics	31,791	0	0

Program	Total outlays	Rural outlays	Percentage
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE—Con.			
Training and community preparedness	$27, 996	$1, 500	5. 35
SS benefit payments to disabled coal miner	297, 193, 361	179, 750, 198	60. 48
SS old age survivors benefits—Federal trust fund	30, 111, 416, 990	11, 717, 226, 945	38. 91
SS disability benefits—Federal trust fund	3, 378, 174, 723	1, 458, 876, [illegible]	43. 19
SS hospital insurance for aged benefit payment	5, 368, 257, 944	2, 052, 808, 19[illegible]	38. 24
SS health insurance for aged, supplemental medical insurance benefits	2, 006, 266, 986	756, 580, 07[illegible]	37. 71
SS pay States for certification provider services	12, 653, 407	1, 738, 206	13. 73
SS pay States for determining disability	58, 699, 974	6, 726, 189	11. 45
Public service career program	22, 026	0	0
Cooperative research	76, 106	121	. 15
Public assist demonstrations projects	3, 993, 965	1, 667, 292	41. 74
Application of regional development programs, demonstration health program	336, 634	103, 634	30. 78
White House Conference on Aging	113, 655	27	. 02
Cuban refugee program, welfare assistance service	78, 000, 002	669, 494	. 85
Social services for public assistance	808, 477, 115	269, 744, 937	33. 36
Cuban refugee program transferred from Cuba	232, 111	0	0
Cuban refugee program administration	588, 258	182, 425	31. 01
Medical assistance—State and local administration	122, 256, 645	27, 723, 261	22. 67
Old-age assistance	1, 487, 382, 392	804, 159, 916	54. 06
Aid to the blind	62, 380, 221	27, 452, 488	44. 00
Aid to the permanently and totally disabled	719, 211, 955	289, 394, 942	40. 23
Aid to families with dependent children	3, 333, 937, 816	900, 505, 075	27. 01
Emergency welfare assistance	14, 166, 198	1, 867, 638	13. 18
State and local administration of public assistance program	407, 283, 897	120, 993, 673	29. 70
Child welfare services	45, 983, 315	19, 528, 912	42. 46
Repatriated U.S. nationals, assistance to mentally ill	76, 619	0	0
Repatriated U.S. nationals, other repatriates	262, 222	0	0
Work incentive institutional training	69, 771, 283	0	0
MED assist grants to States	3, 469, 066, 473	1, 307, 229, 202	37. 67
State and local training	39, 508, 500	12, 114, 922	30. 66
Training projects, public assistance	5, 754, 699	1, 022, 539	17. 76
Work incentive child care and supplemental services	26, 400, 000	4, 600, 875	17. 42
Research and demonstration, public assistance	3, 527, 376	407, 922	11. 56
Vocational rehabilitation services, basic support	501, 510, 724	268, 139, 997	53. 46
Rehabilitation services, innovation	3, 200, 020	1, 552, 864	47. 58
Rehabilitation services projects	15, 967, 265	3, 581, 710	22. 43
Work incentive direction and evaluation	685, 270	0	0
Vocational rehabilitation facility improvement grants	15, 543, 355	2, 599, 610	16. 72
Juvenile delinquency training, traineeships	129, 420	0	0
Juvenile delinquency training, short-term insurance	2, 402, 422	141, 412	5. 88
Juvenile delinquency training, curriculum development	233, 653	55, 500	23. 75
Juvenile delinquency prevention	6, 317, 062	1, 783, 590	28. 23
Juvenile delinquency prevention and continued model program	2, 304, 439	476, 307	20. 66
Juvenile delinquency planning grants	3, 039, 682	816, 386	26. 85
Aging grants to States for community planning	15, 254, 793	7, 617, 936	49. 93
Research and development grants	7, 590, 718	988, 899	13. 02
Juvenile delinquency rehabilitation	641, 256	272, 860	42. 55
Foster grandparents program	10, 897, 837	3, 884, 408	35. 64
Rehabilitation research and demonstration	16, 405, 887	2, 474, 517	15. 08
National center for deaf blind youths and adults	3, 100, 000	0	0
Rehabilitation training	32, 850, 839	6, 484, 518	19. 73
Vocational evaluation and work adjustment	9, 823	0	0
Institutional R. & D. support	14, 202, 366	480, 297	3. 38
Services for mentally retarded	23, 526, 979	8, 800, 251	37. 40
Special center program	10, 274, 996	934, 392	9. 09
Mental retardation community facilities co	12, 542, 408	4, 367, 758	34. 82
Domestic support of aid	64, 856	0	0
Vocational rehabilitation services for social security benefits	24, 731, 443	12, 223, 011	49. 42
Developmental disabled rehabilitation services	5, 889, 861	1, 004, 321	17. 05
Advances and reimbursements administration on aging	2, 171	0	0
Advances and reimbursement medical service bureau	1, 668, 719	0	0
National library of medicine grants	4, 035, 600	664, 394	16. 46
National library of medicine direct operation	11, 715	0	0
National library of medicine training grants	1, 841, 907	0	0
Health manpower institutional support	159, 024, 549	29, 865, 704	18. 78
Health manpower student assistance	55, 409, 587	5, 275, 617	9. 52
Dental health research grants	1, 244, 108	73, 259	5. 88
Dental health fellowship grants	1, 459, 684	257, 130	L17. 61
Dental health training grants	2, 986, 396	477, 981	16
NIH research grants	629, 258, 964	86, 960, 112	13. 81
NIH fellowships	62, 382, 329	7, 563, 984	12. 12
NIH training grants	117, 348, 754	17, 140, 613	14. 60
NIH direct operations	111. 896, 374	10, 489, 225	9. 37
Teaching facilities health facilities construction	118, 140, 046	4, 249, 146	3. 59
Loans to schools of nursing	308	0	0
Loans to health professions schools	49	0	0
Cuban refugee program resettlement	5, 780, 808	15, 704	0. 27
Abatement and control	2, 864, 906	122, 026	4. 25
Research develop demonstration grants continued	3, 069, 847	705, 392	22. 97
Research develop demonstration direct operation	3, 232, 698	0	0
Manpower training	896, 010	32, 844	3. 66
Solid wastes management environmental control	3, 510, 825	828, 853	23. 60

Program	Total outlays	Rural outlays	Percentage
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE—Con.			
Occupational health environmental control	$17, 061, 638	$1, 150, 612	6. 74
Radiological health environmental control	13, 054, 313	652, 392	4. 99
Community environmental management	4, 447, 351	1, 819, 328	40. 90
Water hygiene environmental control	4, 790	0	0
Food and drug control—foods, R. & T. grants	15, 301, 073	0	0
Food and drug control—drugs and devices	13, 792, 247	679, 055	4. 92
Food and drug control—product safety	2, 766, 365	0	0
Food and drug control—pesticides	33, 065, 545	1, 341, 477	4. 05
Food and drug control—establish pesticides tolerances	123, 352	0	0
Food and drug control—certified antibiotic, additives	3, 249, 796	0	0
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Urban renewal programs	993, 828, 695	248, 555, 244	25. 00
Urban beautification and improvement	2, 611, 920	549, 039	21. 02
Open space developed land-urban parks	7, 000, 831	1, 739, 315	24. 84
Neighborhood facilities	33, 385, 935	12, 306, 921	36. 86
College housing	41, 734, 000	13, 833, 000	33. 14
Housing for the elderly or handicapped	5, 210, 000	1, 300, 000	24. 95
Public facility loans	38, 271, 000	30, 138, 000	78. 74
Basic water and sewer facilities	109, 319, 000	47, 880, 000	43. 79
Open space land program	61, 117, 157	6, 818, 280	11. 15
Comprehensive planning assistance to State agencies	658, 547	330, 332	50. 16
Comprehensive planning assistance to metro/regulating agencies	721, 200	66, 182	9. 17
Comprehensive planning assistance, special designation	92, 368	0	0
Urban mass transportation—research and training	798, 232	0	0
Model cities	483, 086, 936	66, 658, 000	13. 79
Mortgage insurance for cooperative housing	11, 829, 000	10, 408, 000	87. 98
Mortgage insurance for urban renewal housing	30, 176, 000	0	0
Mortgage insurance for low-, moderate-income housing market interest rate	311, 187, 000	82, 613, 000	26. 54
Mortgage insurance low-, moderate-income housing below market interest rate	172, 705, 000	52, 757, 000	30. 54
Mortgage insurance for senior citizens housing	2, 378, 000	941, 000	39. 57
Mortgage insurance for nursing homes	78, 768, 000	24, 550, 000	31. 16
Insurance for property improvement loans	572, 167, 000	165, 300, 000	28. 89
Home mortgage insurance	9, 449, 728, 000	2, 101, 109, 000	22. 23
Mortgage insurance for remainder of multifamily program	1, 370, 062, 000	337, 601, 000	24. 64
DEPARTMENT OF THE INTERIOR			
Programs for American Indians	410, 942, 084	323, 443, 914	78. 70
Drainage of anthracite mines	120, 453	0	0
Solid waste disposal grants	9, 651	9, 651	100. 00
Mineral research and development grants	310, 299	178, 074	57. 38
Mining health and safety grants	2, 222, 914	660, 525	29. 71
Appalachian region mining area restoration	1, 473, 443	951, 179	64. 55
Outdoor recreation assistance	115, 411, 189	53, 523, 623	46. 37
Sport fish production	10, 127, 110	8, 147, 299	80. 45
Sport fish management	1, 208, 777	698, 315	57. 77
Wildlife services	3, 303, 924	839, 041	25. 39
Anadromous fish management, sport fishing, and wildlife	2, 118, 070	938, 257	44. 29
Geological minerals and water resources investigations and topographic mapping	152, 674, 930	34, 293, 946	22. 46
Parks and forests	157, 793, 057	98, 316, 346	62. 30
Grants in aid—historic preservation, NPS	6, 625, 465	728, 000	10. 98
Saline water conversion	29, 206, 443	3, 996, 519	13. 68
Territories and related activities	85, 189, 283	84, 646, 774	99. 36
Water resources research	12, 923, 143	5, 712, 924	44. 20
General investigations, Alaska Power Administration	599, 423	599, 423	100. 00
Operation and maintenance, Alaska Power Administration	357, 347	357, 347	100. 00
Water resources	345, 553, 900	271, 308, 834	78. 51
Wholesale marketing of hydroelectric power	796, 736	533, 591	66. 96
DEPARTMENT OF JUSTICE			
Community relations service	4, 476, 855	199, 817	4. 46
Grants for law enforcement assistance	425, 816, 195	59, 036, 761	13. 86
DEPARTMENT OF LABOR			
On-the-job training	36, 088, 459	3, 486, 603	9. 66
MDTA—Institutional training	275, 779, 719	74, 227, 467	26. 91
Placement services—Administration	402, 404, 090	93, 871, 923	23. 32
Concentrated employment program	154, 996, 052	29, 333, 566	18. 92
Job opportunities in private business sector	150, 184, 320	37, 673, 192	25. 08
Neighborhood Youth Corps	418, 473, 378	163, 231, 679	39. 00
Work incentive program	62, 272, 159	6, 037, 328	9. 69
MDTA public service careers	43, 304, 560	8, 940, 599	20. 64
Operation Mainstream	71, 570, 252	47, 749, 178	66. 71
MDTA—Research, pilot demonstration	19, 565, 315	3, 127, 140	15. 98
Research, experimental, demonstration and evaluation	8, 011, 453	801, 153	10. 00
Technical assistance	5, 951, 992	83, 364	1. 40
Unemployment insurance	759, 246, 572	217, 635, 945	28. 66
Federal employee injury compensation	163, 214, 939	92, 866, 559	56. 89
Job Corps	113, 223, 219	38, 517, 160	34. 01

Program	Total outlays	Rural outlays	Percentage
DEPARTMENT OF TRANSPORTATION			
Coast guard marine, harbor and shore SVC	$527, 491, 671	$1, 133, 050, 307	25. 22
Highway planning and construction	4, 569, 865, 639	2, 268, 218, 560	49. 63
Development highway system—Appalachian Region	158, 222, 987	153, 233, 595	96. 84
Highway studies—research	77, 790, 961	14, 284, 380	18. 36
Highway safety grants, research and development	90, 776, 658	13, 523, 119	14. 89
Highway beautification	10, 776, 248	4, 893, 432	45. 40
ATOMIC ENERGY COMMISSION			
Nuclear materials, special activities	23, 959, 156	20, 996, 176	87. 63
Nuclear materials, production activities	373, 217, 936	344, 125, 532	92. 20
Weapons	971, 868, 211	264, 424, 957	27. 20
Reactor development	516, 601, 021	218, 704, 787	42. 33
Physical research	411, 801, 317	77, 707, 328	18. 87
Biology and medicine	95, 224, 428	35, 476, 087	37. 25
Isotopes developments	7, 618, 814	3, 618, 241	47. 49
Civilian applications, nuclear explosives	7, 657, 043	3, 551, 377	46. 38
Training, education and information	14, 065, 625	3, 403, 055	24. 19
Community operations	8, 022, 590	6, 371, 336	79. 41
Program direction and administration	121, 747, 334	25, 175, 750	20. 67
Security investigations	6, 096, 109	0	0
Construction planning and design	754, 214	445, 098	59. 01
Regulation	14, 081, 587	262, 234	1. 86
Cost of work for others	35, 697, 349	32, 236, 174	90. 30
ENVIRONMENTAL PROTECTION AGENCY			
Air pollution control program grants	4, 832, 080	3, 705, 865	76. 69
Air pollution fellowships	15, 450	8, 750	56. 63
Air pollution manpower training grants	444, 145	399, 136	89. 86
Air pollution research grants	916, 866	558, 191	60. 88
Radiation training grants	153, 380	153, 380	100. 00
Solid waste demonstration and research recovery system grant	2, 032, 839	954, 093	46. 93
Solid waste planning grants	122, 292	122, 292	100. 00
Solid waste research grants	281, 185	88, 755	31. 56
Solid waste training grants	209, 226	209, 226	100. 00
Construction grant for wastewater treatment works	1, 053, 404, 466	114, 558, 834	10. 87
FEDERAL COMMUNICATIONS COMMISSION			
Personnel services	22, 145, 494	1, 329, 726	6. 00
Travel and procurement	1, 499, 542	0	0
Other government agencies	3, 143, 408	0	0
FEDERAL HOME LOAN BANK BOARD			
Nonbudgetary expenses	1, 262, 692	59, 322	4. 69
Interest adjustment paymets, FHLBB	61, 046, 400	4, 998, 000	8. 18
Assets acquired from insured institutions	5, 999, 163	251, 964	4. 19
Loans to insured institutions	1, 500, 000	1, 500, 000	100. 00
Payment of insured deposits	105, 085	0	0
Purchase of equipment	7, 000	0	0
Liquidation and other expenses	6, 293, 201	180, 702	2. 87
Provision for contracting to insured institutions	29, 009, 554	485, 000	1. 67
GENERAL SERVICES ADMINISTRATION			
Disposal of Federal surplus real property	62, 203, 389	60, 764, 672	96. 14
Donation of Federal surplus personal property	13, 761, 455	5, 657, 567	41. 11
National historical sources grants	388, 347	57, 550	14. 81
NATIONAL FOUNDATIONS FOR THE ARTS AND THE HUMANITIES			
Grants for progress in the arts—organization	16, 934, 590	2, 373, 599	14. 01
Payments for progress in the arts—industrial	506, 538	26, 190	5. 17
Grants for promotion of the humanities—organization	11, 690, 747	3, 087, 601	26. 41
Payments for promotion of the humanities—industrial	2, 299, 042	581, 240	25. 28
OFFICE OF ECONOMIC OPPORTUNITY			
Assistance for migrants	37, 142, 026	14, 465, 968	38. 94
Community action programs	493, 838, 725	169, 887, 219	34. 40
Head start	19, 940	1, 855	9. 20
Legal services	64, 532, 444	10, 709, 853	16. 59
Neighborhood health centers	209, 257, 150	58, 827, 851	28. 11
VISTA—Volunteers in Service to America	27, 818, 661	9, 251, 640	33. 25
Manpower development and training activities	5, 701, 862	824, 000	14. 42
RAILROAD RETIREMENT BOARD			
Social insurance program for RR workers	2, 031, 789, 231	859, 504, 292	42. 30

Program	Total outlays	Rural outlays	Percentage
SMALL BUSINESS ADMINISTRATION			
Trade adjustment loans to small business	$4, 490, 000	0	0
Economic opportunity loans to small business	90, 649, 148	$28, 474, 624	31. 41
Loans to State and local development companies	55, 628, 092	39, 792, 698	71, 53
Small business financial assistance program	810, 963, 583	376, 633, 456	46. 44
Small business investment company program	47, 708, 000	3, 208, 000	6. 72
Disaster loans	298, 409, 090	77, 510, 311	25. 97
VETERANS' ADMINISTRATION			
Medical administration and miscellaneous operating expenses	20, 090, 095	940, 985	4. 68
Veterans hospitalization	1, 915, 113, 470	477, 094, 892	24. 91
Veterans domiciliary program	42, 662, 204	20, 934, 835	49. 07
Medical and prosthetic research	63, 138, 782	5, 278, 135	8. 35
Construction of hospital and domiciliary facilities	80, 921, 082	6, 162, 821	7. 61
Grants for construction—State extended care facilities	4, 168, 113	1, 728, 760	41. 47
Grants to the Republic of the Philippines	1, 643, 870	1, 643, 870	100. 00
General post fund	2, 501, 113	783, 075	31. 30
General operating expenses	259, 706, 732	21, 876, 647	8. 42
Veterans disability pension	1, 386, 343, 272	549, 074, 673	39. 60
Dependency and indemnity and death compensation	645, 319, 214	254, 950, 621	39. 50
Veterans death pension	963, 656, 313	353, 440, 018	36. 78
Veterans disability compensation	2, 731, 139, 090	977, 220, 934	35. 78
Veterans burial awards and other miscellaneous benefit payment	74, 922, 807	24, 825, 081	33. 13
Veteran rehabilitation, training for disabled veterans	73, 388, 213	26, 852, 083	36. 58
Sons, daughters, wives, and widows education	70, 644, 290	30, 216, 103	42. 77
Veterans readjustment training	1, 521, 699, 607	523, 884, 446	34. 42
Veterans insurance and indemnities	850, 929, 731	282, 146, 796	33. 15
Veterans guaranteed and insured loans	4, 389, 719, 803	787, 731, 423	17. 94
Veterans direct loans	118, 709, 026	78, 846, 693	66. 42

SOME CURRENT POPULATION TRENDS

(Excerpts from a speech by Dr. Conrad Taeuber, Bureau of the Census)

THE GROWTH OF METROPOLITAN AREAS

Throughout this century the metropolitan areas have grown more rapidly than the rest of the country, and this trend was continued during the 1960's. More than four-fifths of the national growth occurred in the Standard Metropolitan Statistical Areas (SMSA's), which also increased their numbers from 212 in 1960 to 243 in 1970. Within the SMSA's more than four-fifths of the growth occurred in the suburban areas; i.e. those portions of the metropolitan areas which are outside the central cities. A large number of the larger cities lost population or gained only by virtue of annexation. In spite of the losses to suburban population which resulted when cities extended their boundaries, the areas outside the central cities increased by 28 percent—more than double the national total. These areas have been increasing their population more rapidly than the central cities since 1920, but it was only in 1970 that they exceeded the central cities in total population. They now account for a total of 76 million persons, whereas the central cities have total of 64 million. The total population outside the metropolitan areas was 63 million, which is less than the population of the central cities.

"Suburban" itself includes a wide variety of density and settlement patterns. The 76 million residents who are classified as suburban include 47 million who live in separately identified cities, and about 11 million of them live in cities of 50,000 and over, which would themselves be identified as central cities if they were not within the shadow of a larger central city. About 16 million of the suburban residents live in areas which are classified as rural, mostly outside incorporated places. In the more rural sections of the metropolitan counties there was relatively rapid growth. Nearly a third of the rural population is living within the boundaries of the SMSA's. This is the part of the rural population which increased during the 1960's. Rural population outside these areas declined. The statement that the rural population in 1970 was approximately equal to that in 1960 masks the difference in the growth of rural population in the shadow of the large cities and a decline in the areas with less ready access to these cities.

Three-fourths of the gain in population of the metropolitan areas was due to the excess of births over deaths; only one-fourth was due to migration into these areas, including both the migration from other parts of the country and that from abroad. This is net migration, and does not take into account the large volume of migration within the country which represents simply an exchange of population among metropolitan areas. The overriding importance of natural increase in the growth of the population of metropolitan areas holds for the white as well as the population of other races, though there are some differences.

One of the major population trends in the United States has been the rapid urbanization of the black population. Nearly 60 percent of all black residents live in the central cities of our metropolitan areas. The black population is more concentrated within the central cities, and also within the metropolitan areas than is the case of the white population.

THE RURAL POPULATION

The 1960's saw a continuation of the decline of the proportion of the Nation's population living in rural areas. The 1920 census was the first one to report that the urban population included more than one-half of the national total. The 1970 census found that the proportion of the Nation's population which lives in rural areas has dropped to 26.5 percent. During the last 20 years there has been virtually no change in the number of persons living in rural areas—in other words virtually all of the gain occurred in the urban sector. As pointed out above, nearly a third of the rural population lives within the borders of metropolitan areas. During the 1960's there was relatively little change in the number of persons living in incorporated rural places with a population of 1,000–2,500, and also relatively little change in the number living outside such places, essentially the "open country."

There are 3,141 counties or county equivalents in the United States. Of these, 908 are entirely rural; that is, they include no urban place. A little more than a third of the total are at least 75 percent rural.

The farm populaion continued to decline during the 1960's, dropping from about 15 million at the beginning of the decade to less than 10 million at its end. The decline in the farm population reflects both continued migration from farms, as well as changes from an agricultural to a nonagricultural occupation, without giving up the previous residence, and discontinuing most of the farming activities which were formerly carried on.

GEOGRAPHIC SHIFTS

The growth of population within the country has never been evenly distributed. During the 1960's there were shifts from the center of the country to the seacoasts. In 1970 a little more than half of all our people were living within 50 miles of the seacoast, including the shores of the Great Lakes.

Changes among the States were very uneven. Three States and the District of Columbia had losses. (North and South Dakota and West Virginia). The States with gains of less than 5 percent included Iowa, Kansas, Maine, Mississippi, Montana, Pennsylvania, and Wyoming. Alabama and Nebraska barely exceeded the 5-percent growth rate. At the other end of the scale was Nevada with a growth rate of 71.3 percent, and Arizona and Florida with about 36 percent. In terms of absolute numbers, California led all other States with an increase of 4.2 million persons, while Florida gained 1.9 million. Illinois, Michigan, New Jersey, New York, and Texas each gained 1 million or more.

About two-fifths of the counties lost population, and about one-third of the counties gained at less than the national average. This leaves only one-fourth of the counties which gained more rapidly than the national average. Almost two-thirds of the counties which lost population during the 1960's also had losses between 1950 and 1960, and between 1940 and 1950. In fact, there is now a considerable number of counties which have had population declines for four, five and more decades. There are many areas in which population loss is not new and for many of them it is likely to continue. There were 124 counties in which there were more deaths than births in the 1960's. Except for a few retirement areas the continued outmigration of the past has left behind an elderly population which is likely in the future to contribute more deaths than births.

Population losses occurred in a broad band of counties in the Great Plains, extending from the Canadian Border through Montana, North Dakota and Minnesota and south to Texas and then across the Southern States and into the Southern Appalachians. Interspersed among these are metropolitan areas which have continued to grow, and some smaller places which have had significant industrial growth. Some other counties with substantial growth are the sites of colleges or universities which grew significantly, or of military establishments which increased their station strength during the decade. A location with ready access to one or more of the interstate highways is also advantageous in terms of the likelihood of population growth.

SUMMARY

The 1960's witnessed substantial growth in the Nation's population. That growth was unevenly distributed within the age groups, reflecting major variations in birth rates and numbers of births in earlier years. It was also unevenly distributed geographically, with more than four-fifths of the growth occurring in the metropolitan areas, where the suburban sections accounted for nearly all of the total. The urbanization of the blacks continued at a rapid rate, with particular increases in the larger central cities. Some substantial displacement of whites by blacks occurred in a number of the metropolitan areas, especially the largest ones. The rural population outside metropolitan areas declined; that within the metropolitan areas—i.e., within reach of the central cities—increased. Three States lost population. Altogether about two-fifths of all counties lost population. A total of about three-fourths of all counties contributed migrants to the remainder of the country. Although migration was an important element in the differential growth rates of States and of areas within the States, in most areas the bulk of the increase was due to the excess of births over deaths.

Continued population growth, though at a lower rate than in the recent past, is indicated. The babies of the postwar baby boom have grown up and are reaching marriage age and consequently we can expect an increase in marriage and in new families through the 1970's. Increasingly these families will demand the services and facilities which have become important elements in the ever-rising levels of living. For the most part they are likely to be suburban or small city residents rather than big city or rural residents. How these additional persons are distributed and what social arrangements are developed to cope with the new situations created by the increased concentration in urban and metropolitan areas will have long range consequences for the quality of life in the United States.

RURAL AND NONRURAL POPULATION

U.S. TOTAL POPULATION FOR RURAL AND NONRURAL AREAS BY STATE AND TERRITORIES, 1970

State	Total	Rural		Nonrural
		Number	Percent of total	
Alabama	3, 444, 165	2, 033, 392	59. 04	1, 410, 773
Alaska	300, 382	300, 382	100. 00	0
Arizona	1, 770, 900	803, 378	45. 37	967, 522
Arkansas	1, 923, 295	1, 556, 869	80. 95	366, 426
California	19, 953, 134	4, 021, 978	20. 16	15, 931, 156
Colorado	2, 207, 259	743, 758	33. 70	1, 463, 501
Connecticut	3, 031, 709	446, 862	14. 74	2, 580, 847
Delaware	548, 104	162, 248	29. 60	385, 856
Florida	6, 789, 443	2, 170, 191	31. 96	4, 619, 252
Georgia	4, 589, 575	2, 309, 345	50. 32	2, 280, 230
Hawaii	768, 561	139, 385	18. 14	629, 176
Idaho	712, 567	600, 337	84. 25	112, 230
Illinois	11, 113, 976	2, 421, 969	21. 79	8, 692, 007
Indiana	5, 193, 669	2, 194, 054	42. 24	2, 999, 615
Iowa	2, 825, 041	1, 917, 186	67. 86	907, 855
Kansas	2, 246, 578	1, 336, 055	59. 47	910, 523
Kentucky	3, 218, 706	1, 966, 713	61. 10	1, 251, 993
Louisiana	3, 643, 180	1, 773, 213	48. 67	1, 869, 967
Maine	992, 048	708, 241	71. 39	283, 807
Maryland	3, 922, 399	615, 062	15. 68	3, 307, 337
Massachusetts	5, 689, 170	165, 757	2. 91	5, 523, 413
Michigan	8, 875, 083	2, 169, 741	24. 45	6, 705, 342
Minnesota	3, 804, 971	1, 907, 220	50. 12	1, 897, 751
Mississippi	2, 216, 912	1, 867, 357	84. 23	349, 555
Missouri	4, 676, 501	1, 806, 075	38. 62	2, 870, 426
Montana	694, 409	694, 409	100. 00	0
Nebraska	1, 483, 493	862, 370	58. 13	621, 123
Nevada	488, 738	488, 738	100. 00	0
New Hampshire	737, 681	513, 740	69. 64	223, 941
New Jersey	7, 168, 164	1, 656, 834	23. 11	5, 511, 330
New Mexico	1, 016, 000	688, 000	67. 72	328, 000
New York	18, 190, 740	2, 732, 839	15. 02	15, 457, 901
North Carolina	5, 082, 059	3, 365, 530	66. 22	1, 716, 529
North Dakota	617, 761	617, 761	100. 00	0
Ohio	10, 652, 017	2, 557, 531	24. 01	8, 094, 486
Oklahoma	2, 559, 229	1, 548, 922	60. 52	1, 010, 307
Oregon	2, 091, 385	1, 225, 489	58. 60	865, 896
Pennsylvania	11, 793, 909	2, 567, 353	21. 77	9, 226, 556
Rhode Island	946, 725	178, 145	18. 82	768, 580
South Carolina	2, 590, 516	1, 720, 484	66. 41	870, 032
South Dakota	665, 507	570, 298	85. 69	95, 209
Tennessee	3, 924, 164	2, 042, 991	52. 06	1, 881, 173
Texas	11, 196, 730	4, 054, 736	36. 21	7, 141, 994
Utah	1, 059, 273	375, 360	35. 44	683, 913
Vermont	444, 330	345, 199	77. 69	99, 131
Virginia	4, 648, 494	1, 899, 071	40. 85	2, 749, 423
Washington	3, 409, 169	1, 160, 332	34. 04	2, 248, 837
West Virginia	1, 744, 237	1, 236, 575	70. 89	507, 662
Wisconsin	4, 417, 933	1, 947, 017	44. 07	2, 470, 916
Wyoming	332, 416	332, 416	100. 00	0
Puerto Rico	2, 712, 033	1, 512, 395	55. 77	1, 199, 638
Virgin Islands	63, 200	63, 200	100. 00	0
uam	86, 926	86, 926	100. 00	0
District of Columbia	756, 510	0	0	756, 510
U.S. total	206, 031, 076	73, 181, 429	35. 52	132, 849, 647

Source: 1970 Census, Rural-Nonrural as defined in President's Special Revenue Sharing for Rural Community Development.

NONMETROPOLITAN POPULATION CHANGE, 1960–1970

By Richard Irwin[*]

This paper is the result of a conversation with a friend, Professor Richard Halley of Portland State University. We are both interested in the dynamics of economic and population growth, having collaborated earlier on a set of economic and demographic projections for the State of Oregon. More particularly we are interested in present and future trends of nonmetropolitan growth. In the course of the conversation Dick commented that population growth might be expected in medium-sized cities which were on freeways and away from big cities, but not too far away.

I took this suggestion back to the Census Bureau, and we coded all nonmetropolitan counties for presence of a freeway and city size. We have not yet introduced the factor of distance between cities. Almost as an afterthought, we superimposed previously developed codes for presence of a college, military installation, or institution. This proved to be a worthwhile addition, because regression analysis suggests that presence of a college is the most important variable identified in this study, with freeways a close second.

The results of the study are not conclusive in establishing freeways and city size as key variables, but some interesting relationships are brought out, and avenues of future research are indicated.

POPULATION CHANGE BY CITY SIZE AND PRESENCE OF FREEWAY

The nonmetropolitan population grew only 7 percent from 1960 to 1970, much less rapidly than the metropolitan[1] population, but a classification of nonmetropolitan counties by presence of a freeway and size of principal city indicates that very different rates of population growth are associated with these two characteristics. Population in nonmetropolitan counties with freeways grew more rapidly in all three categories of city size, and the larger the city, the more rapid the growth. Percent change from 1960 to 1970 is as follows:

United States, total	13
Metropolitan, total	(17)
Nonmetropolitan, total	(7)
With large city (25 to 50,000)	
With freeway, Group 1	14
Without freeway, Group 2	14
With small city (7,500 to 25,000)*	
Without freeway, Group 3	11
Without freeway, Group 4	6
Without city over 7,500 *	
Without freeway, Group 5	8
Without freeway, Group 6	1

*Limit of 7,500 varies.

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[*] Population Division, Bureau of the Census. Paper presented at the annual meeting of the Population Association of America, Washington, D.C. April 23, 1971. Computer applications by Jerome Glynn. The assistance of Signe Wetrogan of the Bureau of the Census is gratefully acknowledged.

[1] "Metropolitan" in this study always refers to Standard Metropolitan Statistical Areas, except in New England where metropolitan State Economic Areas are used. The latter are defined in terms of counties, as are SMSA's everywhere in the United States except in New England.

There is a symmetrical relation between growth rates for the six nonmetropolitan groups both by freeway presence and by city size. For each city size group, the growth rate for the freeway group is about the same number of percentage points above the group without freeway. The step down in growth rates by decreasing city size is also fairly consistent.

The population in Group 1, *With large city, with freeway*, grew 14 percent, a little faster than the national average. It should be noted, however, that only 10 million people fall in this category, so the potential for absolute population growth is limited. Table 1 gives population and rate of change for all categories of metropolitan and nonmetropolitan counties. Groups 3 and 5, the other categories with freeway, have 12 and 8 million population respectively. The counties in Group 6, *Without city, without freeway*, which grew only one percent, have about 19 million population.

The differences in nonmetropolitan growth rates suggest that forces in some way associated with freeway presence are related to the rate of growth in nonmetropolitan areas. Some support is given to this idea by regression analysis (see below), although this analysis indicates that only 10 percent of the variance in population growth rates is explained by the variables included in this study.

All of the growth differentials shown in table 1 are further examined in this study by presence of a college, institution, or military installation. Counties containing such special facilities grew more rapidly than those not so favored. The differentials by city size and freeway presence still hold for the counties without special installations, but growth is slower.

Although the nonmetropolitan population is the chief concern of the study, the metropolitan population is shown for comparison in most tables. The population in metropolitan counties increased more than twice as rapidly as the nonmetropolitan population, with the ring counties increasing 28 percent. Percent change from 1960 to 1970 is as follows:

United States, total	13
Metropolitan, total	(17)
Multiple-county SMSA's	
Central counties	(9)
Ring counties	28
Single-county SMSA's	22
Nonmetropolitan, total	(7)

These figures are for metropolitan areas as defined in 1969.[2] Note that from 1950 to 1960 the population in metropolitan areas (as defined in 1960) grew 26 percent considerably more rapidly than during the past decade. The nonmetropolitan population grew at the same rate in both decades, at 7 percent.

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[2] Most of the statistics in this study are for metropolitan and nonmetropolitan territory as defined in 1969 by the Bureau of the Budget. One hundred and two counties which became metropolitan between 1960 and 1969 are included in the metropolitan population by this definition. As a result of the 1970 census count, fourteen new small SMSA's were formed. They are classified as nonmetropolitan in the 1969 definition of metropolitan territory.

As in the table above metropolitan counties are shown in the study in three classes (1) central counties of SMSA's with more than one county (2) ring counties, that is, non-central counties in SMSA's of more than one county, and (3) single-county SMSA's. The first two categories correspond roughly to the central city-suburb classification, except that central counties usually are more extensive than central cities. The central county therefore usually includes some area classified as suburban in a central city-suburb classification.

STUDY DESIGN

This study is intended as a first effort in classifying counties nationwide by transportation and other locational factors, taking into account city size and special installations. For this pilot study, presence of a freeway and city size were both determined visually from the Rand-McNally Road Atlas. If a freeway, existing or under construction, crossed any part of a nonmetropolitan county, that county was classified as having a freeway, regardless of presence of an interchange, or proximity to the chief city. This has obvious disadvantages from an analytical point of view, but effectively removed the factor of judgment in the coding operation.

Due to limited resources, city size was also determined from the Rand-McNally maps by reference to the scale shown on the face of each map. As a result it was not possible to maintain a systematic lower limit for the middle group. The most common available cut-off point in the desired range from about 5,000 to 10,000 population was 7,500, and this figure was selected. For some States 10,000 had to be used, and for others 6,500 and 5,000. Thus the limits are (1) large city, 25,000 to 50,000, (2) small city, 7,500 (approximately) to 25,000, and (3) without city of 7,500 (approximately). There was no problem with the cities of from 25,000 to 50,000; all maps showed exactly this range.

A further classification for presence of colleges, military installations and institutions was carried out for all counties, metropolitan and nonmetropolitan. The selection criteria related both to absolute size of the special facility and the ratio of the special population involved to the population of the county. For colleges, only those counties were selected which had at least 300 persons enrolled in college in 1960, and if enrollment was at least three percent of the county's population. A county was coded for military if the 1960 military population of the county was over 5,000, or 10 percent of the 1960 population. For institutions, a county was included if the 1960 institutional population was over 3,000, or 10 percent of the 1960 total population.

POPULATION CHANGE IN COUNTIES WITH SPECIAL FACILITIES

Of the total United States population of 203 million, 78 million lived in counties coded in this study for presence of a college, military installation or institution. The population in these areas grew more rapidly in almost every category shown in this study. The percent change by category from 1960 to 1970 for the nonmetropolitan counties with and without these special facilities was as follows:

	Total	With college, military, institution	Without college, military-institution
United States, total	13	19	10
Metropolitan, total	(17)	(19)	(15)
Nonmetropolitan	(7)	(18)	(5)
With large city:			
With freeway, group 1	14	23	10
Without freeway, group 2	8	13	7
With small city:			
With freeway, group 3	11	18	9
Without freeway, group 4	6	16	4
Without city:			
With freeway, group 5	8	20	7
Without freeway, group 6	1	14	([1])

[1] Less than 0.5 percent.

The growth rates for the population in areas *not* containing these special facilities, is accordingly reduced. The growth rate for Group 1 drops from 14 to 10 percent. This still equals the national rate of growth, which drops from 13 to 10 percent when the counties with special populations are excluded on a nationwide basis. The freeway effect apparently still holds; in every city size category the counties with freeway still grow considerably faster than those without freeway. However, the *without freeway* groups in the middle column (counties *with* special populations) all have higher growth rates than the corresponding *with freeway* groups in the third column (counties *without* special population). This suggests that forces more significant than presence of a freeway are involved. The regression analysis below confirms this suggestion, since presence of a college emerges as the most significant variable.

Population and population changes is given in table 2 for counties with colleges, military installations, or institutions. Of 78 million population in these counties in 1970, only 10 million were in nonmetropolitan territory. Metropolitan ring counties with these special facilities had 11.6 million population, and increased 36 percent, as compared to 28 percent for all ring counties.

Although the growth rate for nonmetropolitan counties with special populations (18 percent) is much more rapid than for all nonmetropolitan counties (7 percent), the relationship of growth rates by city size and freeway presence is about the same as for the total nonmetropolitan population. The biggest relative impact is in Group 1, which includes 3.3 million of 10.3 million nonmetropolitan population in counties with special facilities. The growth rate was 23 percent, dropping the rate for Group 1 counties *without* special facilities from 14 percent to 10 percent (table 3). This rate is still higher than the 7 percent for Group 2. Similarly Group 3 remains higher than Group 4, and Group 5 higher than Group 6.

An overview of the size of the population in counties with colleges, military installations, and institutions is given by table 4. Of the 49.8 million population in counties with military bases only a small proportion, 2.8 million, were nonmetropolitan. By contrast, of 16.3 population in counties with colleges, 6.1 million, over one-third, was nonmetropolitan. Two million of these are in Group 1, and grew 23 percent (table 5). Only 1.5 million were in ring counties containing a college, but these counties increased 58 percent from 1960 to 1970. Counties of each type, college, military, and institutional, grew more rapidly than the total population. For all college counties in the nonmetropolitan area, the growth rate was 20 percent. The military counties were close behind with a 19 percent increase.

About one-third of the population increase in all college counties was due to enrollment. Enrollment increased a million while the total population in these counties increased about three million. By contrast, very little of the population increase in military counties is accounted for by an increase in military population. The population increase in all military counties was about 8 million, but the Armed Forces in the entire 50 States increased only about 360,00 for the decade. Dependents of military personnel of course add to the impact of a military base on the population growth of a county.

REGRESSION ANALYSIS

In order to establish the relative influence of the characteristics of counties identified in this study, a regression was carried out. All the independent variables, city size, freeway presence, and college, military, and institutional population, were treated as dummy variables, each county being coded with a zero if without the characteristics, and with a one if with the characteristic. The presence of a large city (25 to 50,000 population), and of a small city, were treated as two separate independent variables. The dependent variable, percent change in population from 1960 to 1970, was a continuous, not a dummy variable.

All counties which were nonmetropolitan in 1969 were included in the analysis. The zero order correlation matrix in the order of entry in the stepwise multiple regression equation shown below, is as follows:

	Population change	College	Freeway	Military	Large city	Small city	Institution
Population change	1,000						
College	.209	1,000					
Freeway	.199	.129	1,000				
Military	.111	−.016	.030	1,000			
Large city	.131	.168	.194	.059	1,000		
Small city	.123	.145	.190	.049	−.146	1,000	
Institution	.027	.004	.031	.037	.088	.024	1,000

The correlation coefficients are all low, both with the dependent variable, and among the independent variables. The multiple correlation coefficient is .3087, and R^2 is .0953.

The results of the regression analysis were disappointing as to proportion of variance explained, but did show that colleges and freeways were the most significant of the variables used. Also, there was very little difference between a large and a small city in explaining variation in growth rates, as shown by the partial correlation coefficients, although the regression coefficients could be interpreted as indicating a small preference for larger cities. The regression statistics are as follows:

Variable	Intercept, or regression coefficient	Standard error of regression coefficient	Partial correlation coefficient
Intercept	−3.2337		
College	[1] 13.6761	1.5518	0.1685
Freeway	[1] 5.4920	.7402	.1425
Military	[1] 13.8722	2.5603	.1045
Large city	[1] 5.5312	1.3767	.0777
Small city	3.2301	.8153	.0766
Institution	2.9722	2.8762	.0201

[1] Significantly different from zero at the 0.001 level of confidence.

The presence of a college emerged as the most important variable of those included in this study, with a partial correlation coefficient of .1685. Presence of a freeway was close behind with .1425. The partial correlation coefficients for large and small city were almost the same.

The regression coefficients for all the independent variables except institutions differ from zero very significantly. However, the high proportion of unexplained variance suggests that important factors influencing population growth are not included in the regression. Certainly the regression analysis fails to show that the characteristics of nonmetropolitan counties, as identified in this study, explain a significant proportion of total variance. Yet the fact that actual growth rates are high for counties with freeways suggests that some relation exists. The low value for R^2 may be due in part to the character of the data available for regression analysis. A large number of counties (about 1400) had none of the special characteristics identified by the study. These grew at varying rates, so the coding would be a zero for each independent variable, indicating that the county had no city over 7,500, had no freeway, and no special population. Yet transportational factors and city size could influence growth rates for such counties. How adequate are existing roads, granted that the county does not have a freeway? Is city size a factor, even under the 7,500 limit? These considerations suggest that continuous variables could be introduced to reflect transportational factors and city size, or that the number of categories for each variable should be increased, while retaining the dummy variable procedure.

For those counties which possess one or more of the special characteristics, continuous variables could also be used. For example, actual enrollment, or change in enrollment, could be entered as a variable. Freeways can be rated by volume of traffic. The county's accessibility to the freeway could be in terms of the distance of principal cities to available interchanges. Date of construction of the freeway may be significant. Some of these statistics are not readily available, and compilation could become a major project.

One factor not included in this study, and which may be very important, is the distance to large metropolitan centers from the nonmetropolitan counties under consideration.

NEW METROPOLITAN AREAS

An additional perspective to the analysis of nonmetropolitan growth rates is provided by consideration of the changing boundaries of metropolitan areas through the creation of new metropolitan areas, and the addition of new ring counties to already existing areas. One hundred and two counties which were nonmetropolitan in 1960 became metropolitan by 1969. In 1970 about [illegible] million persons lived in these counties. About 5 million were in the *With freeway* groups (1, 3, and 5). Less than 2 million were in Groups 2, 4, and 6. Population and population change from 1960 to 1970 by city size and freeway presence were as follows:

	Population (in millions)		Change	
	1970	1960	Number	Percent
New metropolitan areas, total	(6.8)	(5.4)	(1.4)	(26)
With large city, total:				
With freeway (group 1)	1.8	1.4	.5	33
Without freeway (group 2)	.7	.6	.1	12
With small city, total:				
With freeway (group 3)	1.9	1.5	.4	28
Without freeway (group 4)	.5	.4	.1	24
Without city, total:				
With freeway (group 5)	1.3	1.0	.3	28
Without freeway (group 6)	.6	.5	.1	17

The growth rates are higher by city size for groups with freeways. For all groups with freeways (1, 3, and 5 combined), the growth rate was 30 percent, as compared to 17 percent of counties without freeways. Growth rates are generally very high for these new metropolitan areas, as might be expected, since they attained metropolitan status during the decade. This new metropolitan territory is of two types, (1) suburban counties, added to existing metropolitan areas, and (2) new metropolitan areas formed when a nonmetropolitan city (or twin cities) reach 50,000 population. The latter situation brings to mind a growing city, well away from other cities, which grows to 50,000 and attains metropolitan status. Mansfield, Ohio, conforms to this image, and became a new metropolitan area in 1966. The former situation, a new suburban county, suggests a wave of population growth spreading out from a large central city, finally lapping at the borders of a formerly rural county, which now becomes a new metropolitan suburb as the population wave sweeps over it.

This latter situation may still be occurring, but often the suburban county has a city of its own, and this city is extending its own urbanized area. There may be a substantial expanse of undeveloped land separating this urbanized area from that of the nearby large central city. It is then touch and go whether the nonmetropolitan city first reaches 50,000 and becomes a new separate SMSA, or whether the county is added as a suburb of the central city before this occurs. Thus Hidalgo County, Texas became the McAllen-Pharr-Edinburg SMSA in 1966 when the population of McAllen and Pharr taken together exceeded 50,000 population. Hidalgo County is adjacent to Cameron County which constitutes the Brownsville-Harlingan-San Benito SMSA. Pharr is about 30 miles from Harlingen, one of the central cities of the Brownsville SMSA. There is more or less continuous urban development linking the cities of Harlingen and Pharr. By contrast, Yolo County, California became a suburban county of the Sacramento SMSA, yet its situation is similar to Hidalgo County. Given a little more time it might have become a new single county SMSA, since Woodland and Davis, situated 9 miles apart, had a combined population of 44,000 in 1970. These cities lie closer to Sacramento than does Pharr to Harlingen, but no urban development connects Woodland-Davis to Sacramento, and if Yolo County were not already a suburban county in the Sacramento SMSA, it would not be unreasonable to designate Yolo County as a separate SMSA when Woodland-Davis reaches 50,000 population. These examples show that it is not always easy to establish neat categories for analysis of the metropolitanization process.

A necessary step in the analysis of metropolitanization is to take into account the distance of large cities (and their size) from the nonmetropolitan county under consideration, in relation to the size and growth of the chief city within the nonmetropolitan county. The process now occurring is certainly not all a simple wave-like expansion of existing large metropolitan areas, nor is it predominately isolated nonmetropolitan counties with a city which reaches the magic 50,000 circle and blossoms into a new independent metropolitan center. The table on p. 12 does show that freeways are clearly involved since 5 million of the 6.8 million new metropolitan population were in counties crossed by a freeway. A further step would be to add railroad and water transportation to the dynamic factors involved in the growth of nonmetropolitan counties.

Population change from 1960 to 1970 can be observed for metropolitan territory as defined in 1960 (table 6). The nonmetropolitan population grew 8 percent, a litttle faster than nonmetropolitan as defined in 1969, which grew 7 percent. Group 1 counties grew 15 percent, two points above the national average.

CONCLUSION

This study suggests that freeway presence is associated with differences in population growth rates for nonmetropolitan counties, especially for counties becoming metropolitan between 1960 and 1970. Considerable interest attaches to the question, "Do freeways cause population growth"? This study does not answer this question conclusively. Transportational factors are in some way involved, but precisely how?

There are several ways of extending the line of inquiry begun by this study. The impact of a freeway can be more precisely measured. Volume of traffic, date of construction, and availability of interchanges are some of the characteristics which could be included in a classification of counties by freeway impact. A more fundamental extension would involve the use of manufacturing statistics in the analysis.

The distance between nonmetropolitan counties and larger metropolitan areas can be taken into account. A gravity model which encompasses distance between cities by size of city, with allowance for college, military, and institutional population, is a possibility.

Small metropolitan areas should be included in the analysis. The city size of 50,000 which demarcates the line a nonmetropolitan county must cross to become metropolitan is an arbitrary limit, albeit one of long standing. A growing urbanized area of 75,000 is not a completely different organic entity from one of 40,000. An ultimate possibility would be to include all SMSA's large and small in a model, taking all types of transportation into account.

TABLE 1.—POPULATION CHANGE FOR THE UNITED STATES, BY METROPOLITAN STATUS, AND BY CITY SIZE AND FREEWAY PRESENCE FOR GROUPS OF NONMETROPOLITAN COUNTIES: 1969 TO 1970

[Population in millions; metropolitan territory as defined in 1969]

Category	Population		Population change	
	1970	1960	Number	Percent
United States, total	203.2	179.3	23.9	13
Metropolitan, total	139.7	119.8	19.9	17
Multiple county SMSA's:				
Central counties	69.0	63.3	5.7	9
Ring counties	33.3	26.0	7.4	28
Single county SMSA's	37.3	30.5	6.8	22
Nonmetropolitan, total	63.5	59.5	4.0	7
With large city:[1]				
With freeway, group 1	9.7	8.5	1.2	14
Without freeway, group 2	4.2	3.9	.3	8
With small city:[2]				
With freeway, group 3	12.2	11.0	1.2	11
Without freeway, group 4	10.3	9.7	.6	6
Without city:[3]				
With freeway, group 5	8.1	7.5	.6	8
Without freeway, group 6	19.1	18.9	.1	1

[1] 25,000 to 50,000 population.
[2] 7,500 to 25,000 population, (lower limit varies).
[3] No city over 7,500 (limit varies).

TABLE 2.—POPULATION CHANGE FOR COUNTIES WITH SPECIAL POPULATION,[1] BY METROPOLITAN STATUS, AND BY CITY SIZE AND FREEWAY PRESENCE FOR GROUPS OF NONMETROPOLITAN COUNTIES: 1960 TO 1970

[Population in millions; metropolitan territory as defined in 1969]

Category	Population		Population change	
	1970	1960	Number	Percent
United States, total	77.5	65.2	12.2	19
Metropolitan, total	67.2	56.6	10.6	19
Multiple-county SMSA's:				
Central counties	31.3	28.9	2.5	9
Ring counties	11.6	8.6	3.1	36
Single-county SMSA's	24.2	19.1	5.1	27
Nonmetropolitan, total	10.3	8.7	1.6	18
With large city:[2]				
With freeway, group 1	3.3	2.7	.6	23
Without freeway, group 2	.8	.7	.1	13
With small city:[3]				18
With freeway, group 3	2.6	2.2	.4	16
Without freeway, group 4	1.9	1.7	.3	
Without city:[4]				20
With freeway, group 5	.7	.6	.1	41
Without freeway, group 6	.9	.8	.1	

[1] Special population includes college, military, and institutional population. See text for criteria for classification of counties.
[2] 25,000 to 50,000 population.
[3] 7,500 to 25,000 population (lower limit varies).
[4] No city over 7,500 (limit varies).

TABLE 3.—POPULATION CHANGE FOR COUNTIES WITHOUT SPECIAL POPULATION,[1] BY METROPOLITAN STATUS AND BY CITY SIZE AND FREEWAY PRESENCE FOR GROUPS OF NONMETROPOLITAN COUNTIES: 1960 TO 1970

[Population in millions; metropolitan territory as defined in 1969]

Category	Population		Population change	
	1970	1960	Number	Percent
United States, total	125.7	114.1	11.6	10
Metropolitan, total	72.5	63.3	9.3	15
Multiple county SMSA's:				
Central counties	37.7	34.5	3.2	9
Ring counties	21.7	17.4	4.3	25
Single county SMSA's	13.1	11.4	.71	15
Nonmetropolitan, total	53.2	50.8	2.4	5
With large city:[2]				
With freeway, group 1	6.4	5.9	.6	10
Without freeway, group 2	3.4	3.2	.2	7
With small city:[3]				
With freeway, group 3	9.6	8.8	.8	9
Without freeway, group 4	8.3	8.0	.3	4
Without city:[4]				
With freeway, group 5	7.3	6.8	.5	7
Without freeway, group 6	18.1	18.1	([5])	([5])

[1] Special population includes college, military, and institutional population. See text for criteria for classification of counties.

[2] 25,000 to 50,000 population.

[3] 7,500 to 25,000 population (lower limit varies).

[4] No city over 7,500 (limit varies).

[5] Less than 50,000 or 0.5 percent.

TABLE 4.—TOTAL POPULATION FOR COUNTIES WITH COLLEGE, MILITARY, AND INSTITUTIONAL POPULATION, BY METROPOLITAN STATUS, AND BY CITY SIZE AND FREEWAY PRESENCE FOR GROUPS OF NONMETROPOLITAN COUNTIES: 1970

[Population in millions; metropolitan territory as defined in 1969]

Category	Total	Counties with special population[1]			
		Total	With military	With college	With institutional
United States, total	203.2	77.5	49.8	16.3	27.2
Metropolitan, total	139.7	67.2	47.0	10.2	25.4
Multiple county SMSA's:					
Central counties	69.0	31.3	23.8	3.1	11.2
Ring counties	33.3	11.6	4.6	1.5	8.7
Single county SMSA's	37.3	24.2	18.6	5.6	5.4
Nonmetropolitan, total	63.5	10.3	2.8	6.1	1.8
With large city:[2]					
With freeway, group 1	9.7	3.3	.7	2.0	.9
Without freeway, group 2	4.2	.8	.1	.4	.2
With small city:[3]					
With freeway, group 3	12.2	2.6	.9	1.6	.2
Without freeway, group 4	10.3	1.9	.6	1.2	.2
Without city:[4]					
With freeway, group 5	8.1	.7	.2	.4	.1
Without freeway, group 6	19.1	.9	.3	.5	.1

[1] Special population includes college, military, and institutional population. See text for criteria for classification of counties.

[2] 25,000 to 50,000 population.

[3] 7,500 to 25,000 population (lower limit varies).

[4] No city over 7,500 (limit varies).

TABLE 5.—PERCENT POPULATION CHANGE FOR COUNTIES WITH COLLEGE, MILITARY, AND INSTITUTIONAL POPULATION, BY METROPOLITAN STATUS, AND BY CITY SIZE AND FREEWAY PRESENCE FOR NONMETROPOLITAN COUNTIES: 1960 TO 1970

[Metropolitan territory as defined in 1969]

Category	Total	Counties with special population[1]			
		Total	With military	With college	With institutional
United States, total	13	19	19	23	19
Metropolitan, total	17	19	19	24	19
Multiple county SMSA's:					
Central counties	9	9	10	11	8
Ring counties	28	36	38	58	32
Single County SMSA's	22	27	29	25	27
Nonmetropolitan, total	7	18	19	20	13
With large city:[2]					
With freeway, group 1	14	23	23	23	22
Without freeway, group 2	8	13	−5	24	6
With small city:[3]					
With freeway, group 3	11	18	17	20	9
Without freeway, group 4	6	16	24	15	1
Without city:[4]					
With freeway, group 5	8	20	19	25	5
Without freeway, group 6	1	14	20	14	1

[1] Special population includes college, military, and institutional population. See text for criteria for classification of counties.

[2] 25,000 to 50,000 population.

[3] 7,500 to 25,000 population (lower limit varies).

[4] No city over 7,500 (limit varies).

TABLE 6.—POPULATION CHANGE FOR THE UNITED STATES, BY METROPOLITAN STATUS AS DEFINED IN 1960, AND BY CITY SIZE AND FREEWAY PRESENCE FOR GROUPS OF NONMETROPOLITAN COUNTIES: 1960 TO 1970

[Population in millions]

Category	Population		Population change	
	1970	1960	Number	Percent
United States, total	203.2	179.3	23.9	13
Metropolitan, total	132.9	114.4	18.5	15
Multiple county SMSA's:				
Central counties	68.6	63.0	5.6	9
Ring counties	29.0	22.5	6.5	26
Single county SMSA's	35.3	28.9	6.4	20
Nonmetropolitan, total	70.3	64.9	5.4	8
With large city:[1]				
With freeway, group 1	11.6	9.9	1.6	15
Without freeway, group 2	4.9	4.5	.4	8
With small city:[2]				
With freeway, group 3	14.1	12.5	1.6	12
Without freeway, group 4	10.8	10.0	.7	7
Without city:[3]				
With freeway, group 5	9.3	8.4	.9	10
Without freeway, group 6	19.6	19.4	.2	1

[1] 25,000 to 50,000 population.

[2] 7,500 to 25,000 population (lower limit varies).

[3] No city over 7,500 (limit varies).

PROBLEM AREAS IN RURAL AMERICA

In attempting to pin point the direction that Subcommittee efforts should take in dealing with rural renewal, a number of hearings were held, both in Washington and in seven states.

The following section of this report represents some of the significant information the committee received. It is the belief of the staff that the most valuable information came from those who are living in rural areas.

If it were to be measured in terms of volume, there are five key areas of concern for the people of the countryside:

They want jobs and some industry, but they do not want urban problems transferred to the countryside. They want limited development that will permit the retention of those characteristics which cause them to remain in rural areas.

This attitude was best reflected in the statement to the Subcommittee by Clayton and Anne Denman, codirectors of the Small Towns Institute, Ellensburgh, Washington:

"The countryside must be revitalized, but this can only be accomplished if we strengthen the functional and fundamental relationships between city and country, and abandon the myth that cities and only cities offer the model of the good life. The rural village is not an embryonic city; and if we lead its residents to believe so, if we provide it funds to build in that direction, we will have created a bad copy of the city, a miniature rural center of urbanic poverty. We will not have succeeded in creating something of future value, but we will have destroyed a rural village.

"As Jane Jacobs has pointed out in 'The Economy of Cities,' towns do not grow into cities unless they are able to create and develop new kinds of work, new innovations that are fed outward from the communities which created them. But this is not possible in America today because the unlimited funds of urban conglomerates are ready to ingest these small resources long before they benefit the communities which spawn them.

"We cannot begin to revitalize the countryside until we create in rural America place for the small farmer and the small independent businessman to develop free of the intrusions of tax-loss expansion by corporations so dim in foresight that they can only progress by buying up the creativity and livelihoods of others."

* * * There seemed to be a general feeling that the Housing and water and sewer programs of the Farmers Home Administration were too limited in scope and in some cases prevented expansion of the rural economy.

* * * There was much testimony to indicate the inadequacy of transportation systems in the countryside—from the lack of freight cars at harvest time to the inability of people to get to the grocery store if they are too old or disabled to drive.

* * * Hundreds of small communities are without doctors and adequate medical facilities. Those towns which have doctors, often lack quick access to medical specialists.

* * * Finally, the most constant thread that kept running through the information we received was that Federal grant-in-aid programs are not getting the job done. Either they are underfunded; there is an inability for Washington to put grant and loan programs together at the right times; or that because of the proliferation of programs available, small town, part time mayors are unaware of what government assistance that they can apply for.

This section of the report is broken down by subject matter. A more detailed look at this testimony can be found in hearing volumes I–VI of the subcommittee.

HOW RURAL AMERICANS PERCEIVE FEDERAL GOVERNMENT EFFORTS TO AID RURAL AREAS

Virgi Fodness, East River Power Co-op, Lennox, S. Dak.[1]

Mr. Fodness. We also call for redirecting Federal efforts to establish a population balance in this Nation. Today 75 percent of our people live on 2 percent of the land, and some of our urban areas are in danger of becoming unlivable.

Certainly, some of this imbalance of population can be blamed on the Federal Government itself. The Government tends to concentrate its grants to institutions, its procurement contracts, and various installations on the east and west coasts and in large cities. The Missouri Basin States deserve a greater consideration in selecting sites for Government projects and facilities. We applaud the decision to locate EROS here. We plead that the Federal Government locate more than just missile sites in this area. Also, regional offices and other Government facilities need not necessarily be located in Washington, Chicago, Denver, or other large cities.

Why no regional development commission? Twenty-five years ago, Congress made a tragic mistake in rejecting a Missouri Valley Authority recommended by President Roosevelt. Since that mistake, this region's history has been one of economic decline.

This region instead ended up with a compromise—the Pick-Sloan plan. While this plan has brought some benefits to the region, it cannot be compared with what has taken place in the Tennessee Valley Region. Planning in the Missouri Basin region is to be lamented while TVA has brought about almost unbelievable growth based on a solid economic foundation of low-cost electric power.

It appears that we have not learned from our mistakes of the past. We have failed to establish a Missouri Basin Planning Commission, and a Regional Economic Development Commission.

We have to ask the question here—why have these vehicles for development not been established in this region? It seems that the history of this region is always coming in with too little and too late.

In spite of the fact that practically all of the Governors, Senators, and Congressmen in the region have petitioned this administration for the establishment of a development commission, they have been stubbornly refused. This is hard to explain because such machinery for development already exists in most other regions that had special development problems. Congress has appropriated $500,000 for the implementation of a regional planning commission as provided under Federal law.

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[1] Pp. 582–583—Hearing III.

We said earlier that the Upper Great Plains is often referred to as the last major underdeveloped region in the continental United States. We have to repeat our question, therefore—why have not such development vehicles as the Regional Planning Commission and the Regional Economic Development Commission been established?

Statement of J. Jefferson Monroe, Administrative Assistant to the President, and Director, Federal Programs, West Virginia Institute of Technology, Montgomery County, W. Va., Also Representing the National Association of Community Development [1]

Another thing that concerns me greatly is the fact that we have so much—not only a hodgepodge of Federal programs, but a certain amount of hostility and frustration between local people and what would be considered bureaucracies and the political leaders at the same time. Everybody is blaming everybody else for the fact that nothing has happened.

Yet I know that the bureaucrats are not mindless bureaucrats. They are people supremely concerned. I have worked with enough of them in the Federal Government to know they very desparately want to get a job done. We have never had the commitment, it seems to me.

What I suggest in this paper is something I found out later I think you, Senator, or somebody on the Hill here has also suggested, and that is a rural economic development bank. I am suggesting approximately $20 billion that could be put in that in order for us to begin to develop things on the local level and some sort of mechanism where the local poeple themselves—either an elective process or something where they can put their own folks into actually dealing with the local problems.

WALLACE C. PETERSON, CHAIRMAN, DEPARTMENT OF ECONOMICS, UNIVERSITY OF NEBRASKA [2]

4. *Federal location policy.*—The Federal government should develop a policy which takes the lead in the decentralization of government activities. The two chief means by which this can be done are the location of Federal installations and the awarding of Federal contracts. This will not be easy to achieve, given the traditional "pork barrel" approach to the location of government activity. But the role that the Federal government can play as a catalyst in stimulating the development of an area should not be underestimated. As already pointed out, service-producing industries have been growing faster than goods-producing industries. Among the fastest growing source of jobs in the last decade in areas outside major cities has been government. This makes it mandatory that such a policy be developed.

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[1] Pp. 249–250—Hearing II.

[2] P. 321—Hearing V.

Statement of Fred V. Heinkel, President, Mid-Continent Farmers Association, Columbia, Mo., and Chairman, Coalition of General Farm and Commodity Organizations [1]

Someone has said that for the want of objective planning we dumped our social problems on the cities and our surplus on the world with great damage to the human social values of America.

What I am saying is that the farmers are the backbone of rural American and obviously are the key factors to build and maintain healthy rural communities.

About the only act of planning on a national basis was the Homestead Act. At least it had an objective. And of course the job of revitalizing rural America is the responsibility of the Congress and all the people, not just farmers. Our recommendations for further rural development, are adequate and nutritious diets for all. Farm producers are entitled to a fair return for their investment dollar. The market is an essential but not a sufficient mechanism for guiding farm production, meeting the food needs of the people and adequately compensating the producers.

Four, there are human values at stakes in agriculture which are more important than just production efficiency as a goal of national policy. Location of new factories is very important to further development of rural areas. This in turn depends on the following:

An adequate and continuing water supply, an adequate sanitary sewerage system, adequate health services, including health centers, reasonable access to schools, churches, and recreation centers.

Add low-cost electric power and possibly this means expanding REA facilities. Aid to adequate housing.

Last and possibly most important of all, a new approach to land ownership. I did not say new type of ownership, but a new approach to land ownership, one that will help young men to acquire and control a farm without being haunted with the ever-present thought of foreclosure. This is not a new problem that has cropped up in the last year or two, but it has been with us for quite sometime.

We made a little progress on it. It would seem this might be accomplished by a government agency or corporation adequately funded to make or guarantee 100 percent loans on low-cost interest to be repaid over a period of 30 to 40 years by a small percent of gross income from the farm.

I do not know, and I did not say that we necessarily need a new agency. This could possibly be done through an existing agency, probably FHA. It has the authority to make ownership loans, but I would frankly have to say that it has been starved for ownership funds under this and previous administrations.

I put it this way: This one and the past administration, neither one provided adequate funds on the proper terms to help young farmers who are well-trained, competent, and qualified to be farmers and want to be farmers but for the want of finances are unable to become farmers.

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[1] Pp. 124–125—Hearing II.

Governor Bruce King of New Mexico[1]

A community that plans to be successful in obtaining federal loans or grants must be willing to spend much time and money in getting through the bureaucracy. In fact, to become knowledgeable in federal programs available, a community must hire a fulltime specialist, just to do the paperwork. Who does this for rural areas? Most counties are already hard pressed for funds to pay adequate wages without additional expenses. Farmers and other rural groups are hardly knowledgeable enough to do it for themselves.

Oftentimes, federal programs require local matching funds. What of the areas that are too depressed to raise from 20 percent to 50 percent of a projects cost? We have areas of the state that are unable to expend funds for their required share of federal aid; for example, Mora County where 55 percent of the population is already receiving help from the federal Food Stamp Program. These extremely poor areas should get priority consideration for federal aid, regardless of their ability to provide matching funds.

Testimony of Dr. J. C. Evans, Vice President for Extension, Oklahoma State University, Stillwater, Okla.[2]

Senator **Bellmon**. Do you know of any of these offices that are really able to cope with the problem of rural development?

Dr. **Evans**. Within the USDA Office itself?

Senator **Bellmon**. Yes.

Dr. **Evans**. No, sir; and I want to reemphasize this point. The USDA agencies in total only are a minor part of the contributions needed for rural development.

Senator **Bellmon**. But are they organized toward rural development?

My point is this: We have thousands of people in this State working for the USDA, none of them working on rural development as a total concept in my judgment.

Now, do you agree with that or not?

Dr. **Evans**. I think this is generally true and I think there is a good explanation for it, not to say that it ought to continue. Many of our own staff, for example, have been trained in animal science, in agronomy, engineering, et cetera. They have had little or no training in working with people to develop leadership. They have been talking about technology. Many of them have not had the experience within sociology, anthropology, the political sciences, the kind of backgrounds you need to make your best contribution in working with groups of local leaders. They were specialized in specific fields when they went to school and have worked at that most of their lives and you cannot turn persons like these around easily or quickly.

I mentioned in my testimony that we devoted our entire annual conference to "You and the community." This was a drop in the bucket.

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[1] P. 115—Hearing I.

[2] Pp. 29, 30, 31, 32—Hearing V.

This did not train our people to do this job well. I am not saying we ought to continue that, Senator, but I am saying that probably explains why we are where we are.

Senator **Bellmon**. The point is that in the past I think we have had a very narrow concept. We wanted someone to go out and help the farmer with a sick hen or sick hog or something like that, but the problem I think we are beginning to realize is that there is a very close relationship between agriculture and rural development, and we have been neglecting that whole phase of our responsibility.

I think this gets right home to your responsibility. Oklahoma State University trains all extension agents for the State and, of course, for other States. Do you, as a part of their training, give them any classes, any training, in rural development or leadership?

Dr. **Evans**. Some of our own staff we have in in-service training. I want to go back a second to the statement you just made, that we train our own extension agents. We employ graduates of this institution. They may or may not know very much about extension. They learn about extension after they go to work for it.

Senator **Bellmon**. But does the university train them in community leadership?

Dr. **Evans**. We have some courses. Some institutions have degree programs in community development. The one from which I came to Oklahoma has an excellent program. We do not have one here. We are discussing it.

Senator **Bellmon**. Well, does the Congress provide any support for this kind of training?

Dr. **Evans**. Nothing of any substantial consequence.

Senator **Bellmon**. So here may be one of the places where we are falling down.

Dr. **Evans**. There is a great need for this.

I would also say that probably we do not need more than six or eight or 10 institutions doing this. We do not need 50 land-grant institutions doing this. There are three or four or five now doing it and doing an excellent job. We need a few more.

I would just as soon employ graduates of the Michigan State University which does have a graduate program in the area as I would our own graduates.

Senator **Bellmon**. At the present time, what do you consider the responsibility of your extension agents to be, really?

Dr. **Evans**. In terms of rural development?

Senator **Bellmon**. Well, if you were to have a new class of extension agents and you were going to make more or less their commencement address, what kind of a charge would you give them?

Dr. **Evans**. I would say the charge has been the same, and this is a generality, as it has been since we started nearly 60 years ago. Our single job in extension is helping people to learn more about some topic of their choice. They tell us what they want to learn or some area they want to know more about. We attempt to develop educational programs to help them learn that.

Senator **Bellmon**. Well, do you feel that the extension service could, and perhaps should, become more oriented toward rural development?

Dr. **Evans**. I do not think there is any question about it and all of our actions in the last couple of years have said that.

Senator **Bellmon**. Do you have any suggestions as to what the Congress can do to help you assume this new responsibility?

Dr. **Evans**. Yes, sir. I think there are a couple of things and I almost hesitate to come back to this point because it involves money and everybody wants more money, and they say that is all I need to solve my problems, but I simply say we face a very substantial size problem in Oklahoma. I am sure in Minnestota, and I know your people up there very well, with a staff that has been trained principally in agriculture or home economics.

To do the kind of thing we are talking about in rural development, they have to be retrained and this is not a 1-week short course. This is a substantial educational job.

Second, if we are going to try to employ people from political science or sociology or somewhere else, who are probably better qualified to work in the organization phases and leadership phases than somebody trained in agronomy, for example, which I think is your field, we have to have resources.

Senator **Bellmon**. Let's say it is possible for an agronomist to learn politics, too. [Laughter.]

Dr. **Evans**. I cannot argue this point, but I would say here that in order for us to employ people, we have one or two choices, or some mix of these.

No. 1, we would have to release some of our present staff. This would obviously mean releasing people to get the money to employ these other kinds of people. This would mean releasing people from animal science, agronomy, home economics, et cetera.

There are several people in this audience that might object pretty vigorously if we chose that route to get more community development personnel.

The second choice is to find some way to get additional resources to employ those people. Last year the Congress cut a $10-million suggested appropriation out of the President's budget to zero. This year they found a way to put in $1 million for 50 States.

Senator **Humphrey**. In what field is that?

Dr. **Evans**. In community development. We have received $19,000 or some figure like that. This is not enough to employ and support even one person. How are we going to make any progress with any speed with that kind of money?

It seems to me these two options or some mix of these two is what we are talking about. If Congress wants to help us, that is one way to do it.

Senator **Bellmon**. It is your feeling that perhaps the traditional responsibility, traditional services of the Extension Service, have perhaps changed now, and that rather than create some new agency to come in and provide community development leadership training or services, that with the proper resource, an Extension Service could assume this role?

Dr. **Evans**. Extension would be anxious to do so but I want to make one point clear and that is this. They have changed by addition. I think we do not want in any way to deemphasize our service of long standing to commercial agriculture or to agriculture generally. We have these new dimensions which we were not concerned about 20 years ago and I would not want to be a party to suggesting we stop our work with agriculture or to reduce our work with 4-H youth in order to get the resources to do the other. So, it is changing in the sense that we have added this new kind of concept and responsibility.

Testimony of Under Secretary of USDA Phil Campbell[1]

Question 3. Please give us your best estimate of the probable cost of construction of the necessary rural community facilities that will be necessary to reach the goals expressed by Title IX. We would like your expression now, subject of course to whatever further refinement and extension you would like to make for the printed record of this hearing.

Answer. We do not have an estimate of the probable cost of construction of the necessary rural community facilities that will be necessary to meet the goals expressed by Title IX.

Question 4. Can you give us a general idea of the prospective asset value of new industrial plants and other construction by private economic enterprise would be required to reach the President's rural community development goals? Please feel free to amend and extend your reply for the printed record.

Answer. In keeping with the President's emphasis on returning decisionmaking powers to State and local governments, no specific rural community development goals have been set at the national level. This responsibility will rest with those nearer the point of the implementation. Still, a central theme of these development efforts will be to provide ample employment opportunities for all those who now live in rural areas. If we assume, for example, development goals of (1) entirely stopping net outmigration from nonmetropolitan areas and (2) closing by half the gap between labor force participation rates of metropolitan and nonmetropolitan populations during the coming decade, then about 3 million additional jobs would be required in nonmetro areas by 1980. The asset value of additions of new plants and remodeling of existing plants and other construction by private enterprise to accompany this acceleration measured in 1970 dollars could approximate $125 billion during the 1970 decade, or about $12.5 billion per year.

Question 5. One source of future economic growth in rural America is, of course, the amount of funds from current income being generated in rural America that is available for savings and investment. Can you give us a general idea of what the total amount of such funds might be for a recent year?

Answer. Given the paucity of information on capital flows that is available on a rural-urban break, this question and the two that follow can only be roughly estimated. For the purpose of making such an estimate, we have assumed that all components of the national income accounts are distributed between metropolitan and nonmetropolitan areas in the same proportion as personal income (76:24). On this basis person savings in nonmetro areas would have equaled $13.0 billion in 1970.

To estimate the amount of retained business earnings in nonmetro areas availble for investment, one must make further assumptions about the net movement of goods and services between metro and nonmerto areas. On the basis of a "location coefficient analysis" of major product components (e.g. agriculture, construction, durable and nondurable manufacturing and services), it was estimated that 17 percent of the nonmetro product was "exported' to metro areas while 10 percent of the much larger metro product was "exported" to nonmetro areas. Further, assuming that all components of the product accounts are distributed between metro and nonmetro areas on the same 76:24 basis used above, one is led to the conclusion that nonmerto areas probably experienced a net "trade" deficit with merto areas. The magnitude of deficit was roughly estimated at $35 billion for 1970. In other words, the analysis suggests that this exchange results in a net flow of goods and services into nonmerto areas which must in turn result in a flow of capital from nonmetro to metro areas to pay for the deficit. Retained business earnings, which were implied deductively from the above assumptions and the gross national income accounting identity, would seem to be small if not negative. The estimate for 1970 using national income accounting data was $2.4 billion.

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[1] Pp. 188-189—Hearing IV.

Statement of Hon. Edward T. Breathitt, Chairman of the Board, and Hon. Norbert T. Tiemann, President, Coalition for Rural America [1]

The President's National Advisory Committee on Rural Poverty, which I chaired, concluded in 1967:

> Rural poverty is so widespread, and so acute as to be a national disgrace and its consequences have swept into our cities violently. The urban riots during 1967 had their roots in considerable part in rural poverty. A high proportion of the people crowded into city slums today came there from rural slums.

And through a complete lack of any governmental policy we have permitted rural America to deteriorate like a rusting hand plow languishing in a fallen down barn, while the social and economic problems once scattered across the thousands of square miles of our great land have become compacted into urban ghettos, where they have become both more evident and more volatile.

The Federal Government is a large employer of hundreds of thousands of people, who take home hundreds of thousands of paychecks. But where are our Federal facilities located? At one time they were in the central cities, and in Washington. But now the Government doesn't even have the courage to leave its jobs in the central cities. It is moving them out to the suburbs, following the trend of private business.

And where is the U.S. Department of Agriculture located? Is it in a rural area?

How long has it been since the Assistant Secretary for Rural Development spent a protracted period of time in the portion of the Nation he seeks to improve?

Is the Bureau of Indian Affairs located where the Indians are?

Is the Small Community Section of the Department of Housing and Urban Development located anywhere near a small community that is not directly affected by some of the profits?

Even the regional offices of the departments which are totally concerned with rural development are smack dab in the middle of hundreds of thousands of people who have forgotten the rural people left behind.

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[1] Pp. 386-396—Hearing IV.

Obviously much can be done to stimulate economic development in existing rural growth centers if the Government would adjust its policy of locating Federal facilities, so that they are closer to the people they serve.

Now, title IX of last year's farm bill I think is an excellent beginning in this regard. But it must be implemented.

Each year the Government spends millions and millions of dollars for many kinds of research and development. But where does the money go? It goes to the Harvards and the MIT's and the Berkeleys. And it might be argued—and I heard this argument as Governor when we were trying to get some money for research and development—they said, yes, but these institutions are producing our Nobel Prize winners. Senator, I simply ask if the Nobel Prize winners aren't there because the Federal R. & D. money is there.

Senator HUMPHREY. That is exactly what happened. We conducted hearings on the Government Operations Committee with Senator Lausche, the former Senator from Ohio, and myself. And we traced the use of the Federal dollar, we tracked it right down. And what happened? If you put up enough money for a place, then you start to attract the most impressive, the most capable, talented, gifted people. And then the argument comes, look, we have the best scientists, we have the Nobel Prize winner. Therefore you must give us the money. So then you give them some more money. And then they get another Nobel Prize winner. That is exactly what happened. And the classic example of this is in Berkeley, and in Cal Tech, where the Federal Government—MIT, is another one—where the Federal Government poured in huge amounts of research money. And the talent follows the money. I have often said, if you take enough money and put it out to the University of South Dakota at Vermillion—going back to my native State—if you give them enough money out there, or at the State University at Brookings, S.D., where they have got a good engineering school and a good pharmacy school, they will get Nobel Prize winners, they will come there to do that research, no doubt about it. And I want to say that we didn't make much progress, but we got out a good report. We had the evidence. We convicted them, but we couldn't hang them.

Go ahead.

Mr. BREATHITT. Senator, I think if we can try some of that money at the University of South Dakota, or Minnesota, or Nebraska, or Kentucky, we will certainly attract them.

And we have seen that happen. The Council of State Governments is now at Lexington, Ky. And the very bright people working with them and working with the States and the Governors are there, whereas they used to be at the University of Chicago.

The Federal Government is certainly one of our great consumers of gods. And they have a tremendous number of employees.

And I think if Federal resources can bring talent into local communities and into our rural States, it will be tremendously important.

I will give you an example. We developed a community college program in our State and in our economic development district. We divided the State into 15 districts. When I became Governor there were 27 different types of area development organizations. The county judge or the local community leaders didn't know which meeting they were attending. And as a result, we have organized 15 districts, we have a community college located in each district, or in the process of being located there, as a center for talent and leadership. And there is money being spent there. And they are having young people come in for youth orchestras in the summer, and they have art programs and cultural enrichment programs, and their lives are being broadened. If the Federal Government would do what we are doing, and I know the other States are doing, with this sort of investment, instead of spending it at the main university in Lexington, it would provide a center of talent and development and leadership that would serve for the development of all these areas. Just the same as when we have an industrial park—and these community colleges help us in developing our industrial parks. It also makes it more attractive for an industry to locate there, when you have a community college that has these advantages. The same reasoning I think can be applied to the expenditure of Federal moneys.

I think the President's call for an investment tax credit will do much to stimulate economic development in rural areas. But it is also going to take healthy doses of Government-backed finance and credit to permit low collateral entrepreneurs to get into action and keep Main Street U.S.A. a busy place.

I remember when I was Governor, we had a great program to expand our vocational schools. And we put them all over eastern Kentucky. And by George, all were doing were training people to move to Cleveland or Chicago and Detroit. We were helping their labor supply. But we found out that before we put our vocational programs in, or at least at the time we did, we had to have a program to furnish jobs and economic opportunities. And we had to have investment capital. And we got hung up time and again, Senator, on just the very thing that you have recognized. And that is the need for adequate investment capital in rural Kentucky. And I can speak from knowledge in Kentucky. And there is no point in moving until we have that fundamental problem solved.

TESTIMONY OF ELMER GRAHAM, PRES., GRAHAM DRILLING CO., TEMPLE, OKLA.[1]

Sen. **BELLMON**. First of all, is the drought causing southwestern Olahoma to lose any population?

Mr. **GRAHAM**. Well, since you mention it, I will tell you one thing that happened, and you are familiar with it, and that is when you sent—you and Congressman Carl Albert sent these letters out outlining the different programs, we were very happy. We had an old boy come in there and he was a borderline case and we knew if we extended him credit to make another crop, we would probably be criticized and maybe his loan would be classified. So we would show him those letters, all the different programs you had, and some of them—I am talking about a good man and he would take them over to Farm Home Administration. He would come back and want to borrow those letters. On two occasions I confronted Farm Home Administration with those letters. Yes, they knew all about them, but they did not have that kind of program.

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[1] Pp. 60–61—Hearing V.

This old boy, he would come back, go to the city, get him a job. The amazing thing about this guy, he gets a good job because this kind of person, he has a reputation of really doing a good job at his work, performing to his best ability, so he gets a good job. He comes back, he sells out his farm, and he tells his friend, Joe, or his neighbor Harry, and he does the same thing. He gets him a job. So you lose a few people like that.

Now, we would have been better off in our county if we never had any drought disaster program at all, just on account of that one thing.

There are some mixups someplace in the Federal Home Administration. The letters that you all sent out were just alike.

Senator BELLMON. You are saying that the present Federal drought disaster program is not adequate for the needs of your area?

Mr. GRAHAM. Well, the letters you all sent out have been real good, but it did not turn out that way.

Senator BELLMON. What would you like to see in the program that is not presently——

Mr. GRAHAM. Well, when you have those borderline cases—I have lived in that county all my life and I know those people and I would like to make them a loan to make another crop. They are the right people. Maybe they are not the best managers in the world but, you know, I know you understand banking. If you go too far with an old boy and he does not have collateral, you just get criticized and your hands are tied.

Well, this is the kind of people that the Government can help. They could sure help.

Senator BELLMON. Now, Mr. Graham, here is the situation as I understand it. In Cotton County, for instance, you may go along with 4 or 5 good years and farmers get rain and everything if fairly prosperous and it is a stable community. They you catch one of these bad years which we have from time to time, which we will probably have again in the future. It is during that time when there needs to be something in addition to the local financing institutions that can help get these people through those periods of stress and keep them from migrating to the cities.

Is this the way you have analyzed the situation?

Mr. GRAHAM. Well, yes; of course, a lot of it goes back to the fact of the net income they are making from the farm, and when they have good years they are just barely getting by and then when they have a bad year, that is when they think about leaving the farm.

Glen Soukup, Director, Nebraska Technical Assistance Agency, Lincoln, Nebr.[1]

First, I would like to say that the Federal programs that are now in existence are inappropriate for rural areas. They are written only with urban areas in mind and they then have to be adapted to the rural areas and they don't work well because they aren't designed to work well in rural areas.

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[1] Pp. 183–184–185—Hearing V.

I guess I might best illustrate this with an example. I am sure that both of you Senators are familiar with the Neighborhood Youth Corps program of the Department of Labor. The Neighborhood Youth Corps program has what they call a maximum enrollee figure, in other words, a figure which you cannot exceed per enrollee you have enrolled. This program works well in big cities where you can have 200 or 300 enrollees. This program does not work in rural areas where you have 20 or 30 enrollees.

It is next to impossible to eke out the kind of administrative costs that are necessary to run the program and it is absolutely impossible to get other services such as counseling that the youths need to become active, contributing members of their communities.

My next point is that rural areas don't get their fair share of Federal funds. Rural areas have 40 percent of the economically deprived people residing in their areas and they get 28 percent of the funds.

Senator CURTIS. Now, which funds are you speaking of?

Mr. SOUKUP. I am speaking again of programs, OEO programs, DOL programs, programs for the economically deprived. There are 40 percent of the economically deprived people that live in rural areas.

Senator CURTIS. Are you including all the welfare appropriations in that?

Mr. SOUKUP. No; I am including programs to help them better their lives. I am not involved with welfare. Welfare is a program designed to help people survive.

The aim of the programs that I am involved with are those that are aimed at turning tax-users into taxpayers.

Senator BELLMON. Are you including BIA funds?

Mr. SOUKUP. No; I am not including BIA funds.

Senator BELLMON. Do you include the Indians as part of the rural poor?

Mr. SOUKUP. Yes. The Indians are a part of the rural poor in Nebraska and they are included in coverage by one of our agencies, specifically the three Indian reservations are covered by the Goldenrod Hills Community Action program.

Senator CURTIS. Proceed.

Mr. SOUKUP. We get 28 percent of the funds despite the fact that we have higher need levels. That is, a large amount, for instance, of elderly poor who get sick a lot more often, who don't have any transportation, can't drive themselves, and so on and so forth, and despite the fact that our costs of administration are necessarily higher, it is a simple time and distance problem.

We often have programs that cover several hundred square miles. It takes time to get to the different places within the confines of these programs and it takes more people to administer the program because of the time wasted in traveling and so on and so forth.

My next point is that the Federal bureaucrats who administer these programs are unfamiliar with and unresponsive to the needs of the rural poor. By their—well, I might best illustrate this by two personal examples, if I might.

At one time I was in the employ of the Goldenrod Hills Community Action program and we submitted a grant proposal to the Administration on Aging for funding. Several weeks later we received a call from Washington and the lady at the other end of the phone said we are reviewing your proposal; it appears to be an excellent proposal but your travel budget is out of line.

We explained to her that this travel budget was based on experience of other operating programs and we thought it reflected reality rather well.

Well, after a few minutes of frustrated exchange the woman finally explained, if you are paying that kind of money for travel, you should negotiate a special rate with your local transit authority.

Gentlemen, I submit to you there is no transit authority in rural Nebraska much less on the impoverished Indian reservations.

I will give one more example in this area. I was at one time on the staff of the University of Missouri as a consultant to Community Action programs in Nebraska and Kansas. I was instructed to go to a meeting in Washington, D.C. It was for an exchange of information from the Federal Government people specifically in OEO and local field people to exchange the problems that we were having.

I was taking part in a discussion chaired by someone from the national office with AHD and I was making some basic points about the makeup of Nebraska, and he corrected me. He said that is not the way it is in Nebraska.

I was somewhat astonished. I have lived and grown up in rural and urban Nebraska and worked here all my life. I asked him what he based his opinion on and he said, well, I have had field experience there.

Well, after a somewhat heated debate I discovered that he certainly had had field experience in Nebraska. He was here 6 days one time.

They are the kind of people that are administering these programs.

I think what we need to do is either have special programs for the rural areas or at least get people who are interested in rural areas to administer these programs.

The final point that I would like to make is that the federal programs are not coordinated and are funded with the shotgun approach. This can cause us confusion on the national level, in the regional office at the Federal Government level, and on the State level because we often administer these programs. Again, I might illustrate this by an example:

Drug programs in Nebraska are funded through the following sources: The State department of welfare, the State department of labor, the State department of institutions, the State department of health, the State department of veterans' affairs, the State crime commission, the State comprehensive planning unit, the Governor's office. In addition to this, there are funds available through the OEO national office and OEO regional office to fund local community action agencies for drug related programs. This causes, I would say, the minimum of results with the maximum expenditure.

I think the Federal Government should in some way try to coordinate this program better.

I might suggest that if they are going to be funding programs in the State of Nebraska on drugs they should fund this to the State of Nebraska. If they like, earmark specific expenditures in specific areas such as education, curative measures, and let the State of Nebraska coordinate these programs. We would be operating programs for much less money doing a lot more.

My final example: I have recently been working on a report for the Governor on the problems of the impoverished Indians in northeast Nebraska on the reservations and again I am just trying to illustrate the shotgun approach of funding. We were very concerned with the fact that nothing seems to be improving a lot of these people. So we were investigating. And we discovered there are three Indian reservations in northeast, Nebraska, Santee Sioux, Winnebago, and Omaha. They have approximately 2.200 Indians and the Federal funding going into this area approached $10 million in this fiscal year.

The unfortunate part of this, gentlemen, is that the results, if it is going to be a reflection of years past, are going to be negligible and probably none.

STATEMENT OF HON. RICHARD F. KNEIP, GOVERNOR, STATE OF SOUTH DAKOTA, PIERRE, S. DAK.[1]

The grant-in-aid system is a good system, when administered properly. But rural areas cannot now support the technical expertise which is required to tailor grant-in-aid to rural development in a comprehensive manner. Grant-in-aid programs have emerged in a fragmented, haphazard, and incoherent sequence. I suspect that this is inevitable, and that it is a waste of our imagination to try to conceive of a new and monolithic action phase which will replace the current multiprogram structure and usher in a "golden age" by addressing, in a wholly integrated and totally coherent manner, rural needs. The difficulties with the current grant-in-aid structure are these: (1) Grant-in-aids programs have been developed with urban problems in mind; (2) State and local governments cannot support the technical expertise which would be required to apply these essentially urban programs in a rural context.

We do not expect that the domination of urban concerns will soon cease; indeed, we expect that it will become more marked. The best that we can hope for is that we who are responsible for the welfare of rural people will be allowed the additional flexibility within the current grant-in-aid structure which will allow us to modify and redesign program activities to conform more closely to the profile of rural needs. Secondly, we can demand that a proportion of Federal expenditures be allotted to the administrative, planning, and budgeting processes which must be conducted effectively in order to monitor the impact of Government expenditures, and to modify the composition of those expenditures where the impact is contrary to the best interests of our State.

We have not been furnished, and we do not have the resources to extract critical information about the effectiveness of grant-in-aid programs in South Dakota.

One of the priorities for South Dakota should be economic development, creation of new job opportunities which will in part, stem the outflow of our young people. We realize that the performance of the public sector in this instance is critical to our success.

But the design of industrial development strategy is a complex problem which demands the attention of a body of well-qualified professionals with experience in the questions of economic development who can reflect the best current thinking on that or any other subject. We send our best scientists to Washington and we sponsor their expertise in foreign countries; but we cannot now, for some reason or other, assemble in this State, because of our limited resources, the battery of expertise which would be required to evaluate the structure of our economy, to assess its strengths and its weaknesses, and to design a long-range plan for optimal economic strength and economic growth.

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[1] Pages 545–548—Hearing III.

It is our impression that the HUD and FHA housing programs have not been very effective in dealing with our rural housing crisis, but again we do not have the tools and instruments of analysis which would be required to judge whether the suspicion is correct and to suggest program changes which might remedy that particular weakness.

We know that the Department of Labor's manpower training effort is based upon a definition of unemployment and underemployment which applies to a well-organized labor market, and we suspect that its unemployment definition does not make sense in the context of a rural economy. But again, we do not have access to the expertise which would be required to substantiate or disprove that hypothesis and which could furnish new definitions of unemployment that truly reflects labor market conditions in South Dakota.

Well over 100 of the Federal grant-in-aid programs require extensive socioeconomic analyses as a part of the current applications procedure. The fragmented, overlapping, and highly technical requirements which are a part of this planning process may in effect be an irritation to urban authority. To rural officials they cause, at the least, paralysis. Our local governments cannot muster the professional assistance which is required to compose in a comprehensive fashion a picture of rural needs and of the program moneys which are available to meet these needs. The allocation of resources proceeds on a haphazard basis, and planning is regarded as an obstacle which must be surmounted rather than as a tool for rational decisionmaking.

While the prospects of industrial development are bright, we may not be able to generate enough jobs during the next several years to absorb even the natural flow into the labor market.

Some of our best thinkers have treated economic development, but they have always addressed an expansionary situation. Again, some of our best thinkers have given attention to planning, but they have always addressed an expanding economy. We are now facing a situation which does not fit those designs and which requires some new thinking, to say the least. The question of whether we can reverse the population outflow may be an irrelevant one; perhaps it must be replaced with a more germane question, for example, How can we best influence the social and economic structure of this State so that a viable and healthy existence can be provided for the people of our State and for those who wish to migrate here as a relief from the urban congestion we hear so much about. This is not an easy question, and it is foreign to the thinking of those who continue to believe that this State is in danger of rampant and ill-structured industrialization. But I think that it is a realistic assessment; and we cannot hope to design effective policy until we are ready to take as a starting point a realistic view.

STATEMENT OF PERRY LEE DELOACH, MAYOR, CLAXTON, GA.*

Our first and the foremost problem we have witnessed in our quest of assistance has been Federal Government redtape. The primary concern of all communities in the United States is the availability of an adequate water supply and distribution system. It is a major concern and extremely expansive for a community to offer these services.

In this area the Federal Government must assist the small communities throughout the Nation. Grants are now available; however, the amount of matching funds that must be put up by the local governments vary anywhere from 25 to 75 percent. The Economic Development Administration has a good program but unfortunately, Evans County is not eligible. Farmers Home Administration will not consider industrial fire protection or water use for industry. The only remaining agency is Housing and Urban Development, which in turn refers us to Farmers Home Administration by an interagency agreement.

After a small community is successful in finding a program that it can afford and wishes to take advantage of, the fight has only begun. Distance of district agency offices from small communities is only the beginning. After several 250-mile trips to the district agency offices fighting redtape on each trip is in most cases all that is necessary to cause most small communities to give up in disgust.

This, in my opinion, typifies Federal Government redtape. If necessary, new legislation should be enacted to create a single agency to which rural America can turn for assistance. These programs should be broad enough in scope to be of assistance, yet simple enough that rural American communities do not have to hire personnel just to study Federal programs.

The Area Planning and Development Commission can play a major role in the area development. However, we are again faced with the problems of not knowing what programs are available. The planning commissions are understaffed and only respond when called upon by local governments. Thus, we are again faced with the same problem of not knowing fully what programs are available.

There is not, to our knowledge, either a Federal or State agency to which a rural community can turn to seek assistance for improvement in fire-fighting equipment. In order for rural America to compete for industry in today's market it must offer adequate fire protection. Claxton and Evans County are in a serious position with regard to providing adequate fire protection for its citizens and industries. The city equipment is outdated and inadequate and must be replaced within the next 12 months. The cost of a modern 750-gallon-per-minute pumper is approximately $25,000 and the city has not budgeted funds for this equipment nor will funds be available within the foreseeable future. If the trend is to be reversed, and people do come back to the rural areas, then some type of assistance has to be made available to rural communities in order for them to meet the demand for fire protection. Without proper fire protection, the insurance rates are absolutely prohibitive, so consequently, industry is most concerned with this problem. A Federal program patterned after the LEAA program but pertaining to fire protection, would greatly improve a city's ability to provide adequate equipment for fire protection.

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*Pages 901–903—Hearing III.

Under a recent citation by the State of Georgia Water Quality Control Board, Claxton and Evans County were forced to abandon and ordered to seal their open pit dump. Even though this change was ordered by the State agency, we cannot find any program, State or Federal, to assist with the cost of this operation. By virtue of this order the formulation and implementation of city-county sanitation system is now a reality, funded solely with local funds. Through this system, we are able to serve all of the citizens of Claxton and Evans County. The principal method of collection is with 140—3-yard metal containers, strategically located throughout the county and within easy reach of all citizens. In addition to efficient and sanitary disposal of solid waste from residential areas, we have, through this system, been able to assist all businesses and industries with accessibility to containers, thus expediting the collection and disposal of waste from these sources. The ultimate disposal is in a 34-acre sanitary landfill located in the heart of Evans County.

If rural America is to comply with the requirements of State and Federal Government in disposal of their waste, it is apparent that help must be given to these communities. The initial cost of this system to Claxton and Evans County was some $150,000. Our annual expenditure will be in excess of $50,000. This is, to say the least, a heavy burden for rural communities. A Federal assistance program through the Agriculture Department, would be most welcome in helping to defray the cost of these operations. We sincerely hope that consideration will be given, in some form of assistance, to rural communities.

Claxton-Evans County joins the rest of the Nation in having a very critical housing shortage at all income levels. The availability of houses to either rent or purchase is practically nonexistent and adds a tremendous push to the out-migration of people to urban areas.

The problems of providing housing are many and varied for rural communities, and are at times almost insurmountable. Private developers cannot realize as great a return on their investment as they can in large cities, so they tend to avoid small rural communities. The costs and problems of houses in rural America are almost as great as in cities; however, the income level for 80 percent of the citizens in rural America is substantially below the national average. This produces hardships for potential homeowners in attempting to pay the high interest rates, extremely high building costs and other related charges.

The Farmers Home Administration programs are restrictive in the size of the house, the amount of income a family may have, and offers little, if any, help in aiding cities to provide water and sewer facilities to residential districts. Federal programs should be set up to provide financial assistance to rural communities across the Nation. This legislation should take into account and help provide a solution for the problems of housing that are unique to small cities of 7,000 population and under.

I do not feel that I can emphasize enough the need for revitalizing existing legislation or the enactment of new legislation to create an agency solely for the purpose of assisting rural America in her fight for survival. If we are to reverse present trends, it is essential that such agencies be created. The key to survival in this country is to create jobs in rural America. We certainly hope that you will see fit to assist us in our fight for survival.

STATEMENT OF HON. ROBERT D. RAY, GOVERNOR, STATE OF IOWA, DES MOINES, IOWA*

But, in summary, let me say that the unusually high rates of migration of young people out of rural areas, plus the high number of aged who remain, create a special situation of increasing concern in Iowa. Unfortunately, this unique combination of factors fails to show up in the statistics required by the Federal Government to allow rural communities in Iowa to take advantage of Federal public works programs. These public works programs were specifically created for the purpose of stimulating rural development.

For example, Iowa ranks 48th in the amount of assistance provided by the Public Works and Economic Development Act of 1965. It ranks 50th in the amount of funds provided by the accelerated Public Works Act of 1962.

I think it is paradoxical that the more that young people migrate from our rural areas, the less qualified the State of Iowa is to participate in federally assisted rural development programs. It tends to work something like this:

Federal rural development programs are designed to assist only these counties throughout this Nation with high levels of unemployment and low per capita income.

Iowa's counties, however, do not have unusually high levels of unemployment because Iowans refuse to sit around and become unemployment statistics; they leave when job opportunities are not available to them.

And, because of this outmigration of jobless and the combining of our farms into larger units, Iowa maintains a relatively high per capita income.

Thus, Federal aid for much needed rural development is denied Iowa, perhaps the Nation's No. 1 rural Farm Belt State.

The result—Iowa is shortchanged.

BARTON WESTERLUND, DIRECTOR, INDUSTRIAL RESEARCH AND EXTENSION CENTER, UNIVERSITY OF ARKANSAS**

An area of economic development need that offers great benefit opportunities is further emphasis on the technical assistance aspect of the present program, especially technical assistance that is made available directly to business organizations. The EDA has established economic centers in association with various universities. These centers have designed and conducted a variety of programs; most of them have provided research and technical information, feasibility studies, business advisory services, and educational programs. In Arkansas, the organization which I direct, the Industrial Research and Extension Center, has provided such services to many enterprises throughout the state; and also to local public agencies including the planning and development districts.

The IREC University Center Program seeks to create economic growth impetus by offering a broad-based program of managerial training and technical assistance dealing with the total spectrum of needs and demands of business, commerce and industry. In conducting

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*Page 366—Hearing III.
**Page 76—Hearing I.

these activities, the IREC utilizes a variety of talents representing the several professional disciplines needed to provide a broad and competent service. This service is designed to enable the businessmen to increase productivity, improve their products, properly utilize the facilities and personnel available to them, and to generally help them to survive and grow in a competitive environment. This growth and stability will reflect itself in increased income and employment for the state as a whole.

Nevertheless, the technical assistance activities are not as well funded nor as comprehensive as they should be. Much more emphasis is needed upon the utilization of expertise already available within the region, so that more talent well versed in socio-economic development and planning can become an active part of the permanent inventory of human resource skills. Public agencies themselves have often not utilized technical skills of the personnel at universities, colleges, other public institutions, and private firms to the extent that would have been possible. And small businessmen in particular must receive more adequate training and specialized assistance if they are to remain a viable segment of our economic resources.

GOVERNOR MIKE O'CALLAGHAN OF NEVADA [1]

It has been our finding in some instances that the Economic Development Administration's rulings are so inflexible as to preclude over half of Nevada's rural counties from even being considered for projects. Additionally, our state is somewhat coerced into gerrymandering or at least hedging to rearrange districts to be eligible, when in reality help is required.

Statement of James Simpson, Chairman, Charles County Board of Commissioners, La Plata, Md., Also Representing The National Association of Counties [2]

Let me cite an example of what I consider to be misguided and uncoordinated Federal policy in my own Charles County.

My example relates to a new community some 25 miles southeast of Washington, D.C., which has been named St. Charles Communities. It is primarily being financed by a $24 million guaranteed loan by the U.S. Department of Housing and Urban Development. It is the second new community loan in the United States that has been guaranteed by HUD. The developer of the new town or new community is the Interstate Land Development Co., which is headquartered in Puerto Rico. To date, the developer has sold $18 million in bonds, and has constructed some 1,200 family units.

Prior to the guaranteed loan by HUD, the development, which was merely a subdivision, had changed hands some four or five times. With the entrance of HUD into the development, it then became a new community approach. They eventually plan to construct some 24,000 dwelling units, housing a population of 75,000 by the year 1990.

We in Charles County cannot argue with the concept of new communities which are needed for a balanced growth pattern. But we do have two very major complaints about the way this particular project was handled.

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[1] Page 113—Hearing I.

[2] Pages 219 and 230—Hearing II.

First, the county had little or no contact with HUD prior to the announcement of the guaranteed $24 million loan. As a matter of fact, my fellow board members and I read about the guaranteed loan in the Evening Star. HUD had not informed us that they were going to take such action.

Even more importantly, the Department of Housing and Urban Development did not consult county officials to see if the new community was consistent with our general plan and our zoning regulations. They did state in their news release that it was consistent with the State of Maryland and our Tri-County Council existing land use plans. But I understand that they did not receive the approval of either of these bodies. The point is that this community now exists in Charles County, whether or not we want it and without our consent or consultation. This approach certainly does not bespeak of the cooperation and coordination that your subcommittee is seeking.

Secondly, we in Charles County are faced now with a rapidly projected growth in population without the fiscal means to meet this growth. As I said, the developers and HUD anticipates an influx of some 75,000 people into St. Charles Communities over the next 20 years. This community lies between two small towns in our country—La Plata, the county seat, with a population of about 1,500, and Waldorf with a population of a little over 1,000. The total population of our county, according to the 1970 estimated census data was estimated at 46,376. Thus, the community of St. Charles will mean a minimum population increase of some 260 percent over the next 20 years.

This increase, of course, means a tremendous strain on the services that Charles County must provide to our new citizens. It means a rapid increase in the provision of schools and educational services, police services, fire protection, sanitation services, and the many, many, other services that accompany new communities. Right now, with the 1,200 families, or 6,500 persons, in the community, St. Charles is still a bedroom community with its citizens commuting to Washington, D.C., for employment.

In addition to providing basic services, we are facing a problem of a transplanted population from the innercity to a "country-type living" environment. These people are used to and expect a high level of urban services. Even now they are putting demands on the county that other citizens within our boundaries have been anticipating for many, many years.

This new influx of people and related demands for services are all being thrust upon Charles County, without the corresponding industry or employment to go with it. Even though there are projections within the next 20 years for industrial development, this economic growth has not taken place and will certainly not do so in the very near future.

In the meantime, we must provide new services on a very limited tax base. We have the fifth highest tax rate in the State of Maryland but we are only 13th in size, primarily because our tax base consists of declining-value agricultural lands and residential property. We have no industrial tax base. We just can't afford the rapid population increase that we are facing.

HUD, in short, has merely sent us more people with all the economic and social problems that accompany large and rapid population growth, but have not provided us with new industry or new jobs. We, in Charles County, believe that this is grossly unfair and believe that the Federal Government has an obligation to assist us when they make a decision, without our approval, that places such stress on our community. A balanced growth policy should mean not just balanced population growth, but also balanced economic and social growth.

TESTIMONY OF WILLIAM W. BLUNT, GENERAL COUNSEL, ECONOMIC DEVELOPMENT ADMINISTRATION*

Senator BELLMON. Thank you, Mr. Chairman.

Mr. Blunt, let me ask you a few questions, it is almost 12:30.

Can you tell me how many unfilled applications EDA carried over from July 1, 1971?

Mr. BLUNT. In what area, public works or business loans?

Senator BELLMON. In loans and works and grants, the whole field, all of it.

Mr. BLUNT. I believe around $60 million in public works. I am not sure of the number of applications.

Senator BELLMON. $60 million for public works.

Mr. BLUNT. I don't know what it would be in business loans, but what I would prefer to do, if it is all right with you, is give you these figures afterward for the record. Because I am not familiar with them.

Senator BELLMON. I would appreciate it. I think it would be valuable for the committee to have it, for all across the country. I would like to know how far the Congress is coming short of meeting the demand for funds for rural development.

(The information is as follows:)

EDA carried over from fiscal year 1971 to fiscal year 1972 the following applications:

[Dollar amounts in millions]

Program	Number of applications	Total dollar amount requested
Public works	126	$66.1
Business loans	26	29.6
Technical assistance	71	5.16
Planning grants to redevelopment areas	([1])	([1])

[1] None.

With respect to planning grants to multi-county Economic Development Districts, EDA does not accept applications for assistance unless adequate funds are available. However, at the close of FY 1971, 30 multi-county areas have been authorized to receive planning assistance, as soon as adequate funds are made available to EDA. EDA planning grants average $50,000; thus, the aggregate amount needed to fund such multi-county areas would be $1.5 million.

Mr. BLUNT. Well, in understanding our backlogs one thing ought to be kept in mind, and that is that our policy is not to encourage people to be discouraged. In other words, a backlog may or may not be an accurate reflection, because if we don't think we have the funds, we don't encourage someone to submit an application and wait 3 years until they can get them. So with that reservation I will be happy to do it.

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*Pages 206-207—Hearing IV.

Senator BELLMON. In other words, the figure you will give us will be a conservative figure?

Mr. BLUNT. It could be, yes, depending on the activity which might have existed in the field if we didn't have this policy.

Statement of Floyd P. Vrtiska, Chairman, Pawnee County Board of Commissioners, Table Rock, Nebr., Also Representing Vision-17*

Mr. VRTISTA. Senator Curtis, can I make one comment with your permission? You asked what funds were available and the thought came to me we were talking with the HUD people about low-cost housing. They told us there were no funds available for a town our size because of the lack of facilities. We quite frankly received a very bad reception. We were kind of received like a bad relative. They were glad to see us but hoped we would leave pretty quick so they could get back to their task.

People that are donating like myself and a great many people in our area, go away with a very saddened heart about the attitudes of people who display this type of attitude toward us and this is one thing I wanted to tell you, that we were told there was no funding available.

ROBERT W. SHIRELY, INDUSTRIAL DEVELOPMENT MANAGER, NEBRASKA PUBLIC POWER DISTRICT, COLUMBIA, NEBR.**

The Department of Housing and Urban Development must become oriented to rural America or its programs transferred to an agency that is. For example, our small towns need housing for the elderly and low-income people. Yet HUD will not approve a multihousing project unless it is large enough to support a full-time manager, usually a minimum of 50 units. Most small towns don't need 50 units. They need 10 units or 25 units. Since this size project won't support a full-time manager, they are passed over by HUD in the allocation of funds.

Possible solutions would be to transfer all HUD housing programs for cities under 10,000 population to the Farmers Home Administration, or to establish a rural housing agency under Housing and Urban Development.

The HUD program that has been most effective in rural Nebraska has been its "new look on Main Street" program developed by HUD's Chicago office and implemented in Nebraska by HUD's supervisory architect, Lockwood, Martling. Many Nebraska towns have availed themselves of Mr. Martling's expertise to improve the appearance of "Main Street." It has been highly successful in stimulating business and community morale and confidence. Recently, however, HUD has indicated it is dropping this program, and I urge that steps be taken not only to continue it, but to expand it.

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*Page 272—Hearing V.
**Page 259—Hearing V.

NATIONAL GROWTH POLICY AND RURAL OUTMIGRATION

STATEMENT OF HAROLD McRAE, WEST CENTRAL ELECTRIC COOPERATIVE, KADOKA, S. DAK.*

Mr. McRAE. I would just like to mention what happened. This is in Atherton. I took an 11 mile square area and made a map and on this county map I wrote in the names of everyone that lived there at the time. And there are 54 homestead farms in this area at that time. I just happened to pick this map up 9 years later and, my God, I thought to myself, this cannot be. And I started marking them off and I wound up with 19 left out of 54 in a 9-year period. That is what has happened to our area and the same thing as Mr. Bergh said, farmers that are left in that area are paying the bill for those idle services to those places.

STATEMENT OF H. L. THORNDAL, PRESIDENT, BANK OF NORTH DAKOTA, BISMARK, N. DAK.**

Many of these communities, in order to develop themselves and become more desirable places to live, need outright grants and subsidies in order to improve their condition. Allow me to give you a personal example of this. My family started a bank in a small northwest North Dakota community some 17 years ago. The population was about 650 at the time we opened the bank in 1954. We sold the bank in 1966. During this 12-year period the community installed a sewer and water system, curb and gutter, we even paved the streets.

I owned a house in this community, until early this year. The population had declined to 450 according to the 1970 census In order to sell the house, all of the special assessments needed to be paid in full for sewer and water, curb and gutter, and paving. This amounted to nearly $2,000. Now, you can see that it is almost impossible for a rural community to finance needed improvements at a cost in excess of $2,000 per house when they are losing population and the average family income is below the national average, and in many cases below the federally defined poverty level.

Surely the people in rural America are entitled to adequate water supplies, good sewage facilities, and mud-free streets. Without these services no one will wish to continue to live in these communities. Certainly, no new people will move there or new businesses seek to establish themselves there. Until these population trends are reversed, and additional economic bases are established, our rural communities will have to have some type of help, either outright grants or subsidized debt to secure and maintain adequate public facilities.

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*Pages 584–587—Hearing III.
**Page 361—Hearing IV.

ELMER GRAHAM, PRESIDENT, GRAHAM DRILLING CO., TEMPLE, OKLA.[1]

If the Government really wanted to—why does not the Federal Government decentralize some of its activities out of the congested sea coast area?

Now, you are in a State today that has the largest Indian population in the Nation. Why could we not have the Bureau of Indian Affairs——

Senator HUMPHREY. By God, I am for you 100 percent. They ought to get that out of Washington now.

Mr. GRAHAM. I would like to go into that a little bit later if I may. But you are in a State also that last year had $1.2 billion in farming income, second in the number of cattle, second in hard red winter-wheat, and there could be some of the Department of Agriculture moved to Oklahoma. We would appreciate any of them; Department of Interior.

Senator HUMPHREY. Do not take it all now. [Laughter.]

Mr. GRAHAM. Just any part of it.

Senator HUMPHREY. Carl Curtis just kicked me under the table. [Laughter.]

Senator CURTIS. Can we pick out what we send?

Mr. GRAHAM. We would be proud to have any of it.

Senator CURTIS. We have some in Washington who would be glad to be rid of it.

STATEMENT OF WALLACE C. PETERSON, CHAIRMAN, DEPARTMENT OF ECONOMICS, UNIVERSITY OF NEBRASKA, LINCOLN, NEBR.[2]

There are compelling economic reasons why policies must be developed leading toward an improved urban-rural population mix. The problems and turmoil besetting our large urban centers is well known. What, perhaps is less well known and understood is that "diseconomies" of scale probably increase exceedingly rapidly, once a city gets larger than 250,000 persons. In nontechnical language this means that the per capita costs for basic public services exhibit sharp increases, a fact well-known to the mayor of every large city in the United States. On the other hand, the decline of rural areas and the decay of small towns entails real costs to the economy because it leads to the abandonment and neglect of existing social "overhead capital" in the form of houses, business and governmental structures, road systems, and other basic facilities. It is uneconomic to abandon such assets at a time when we confront excessive urban overcrowding.

DR. PAUL H. GESSMAN, EXTENSION ECONOMIST, UNIVERSITY OF NEBRASKA, LINCOLN, NEBR.[3]

Only limited developmental progress is possible regardless of the availability of government programs if a community or group of communities (or even a state) is alone in its efforts. In the absence of national policies to promote investment in employment deficient areas to reduce the barriers of inequitable transportation costs where these exist and to equalize opportunities for adequate levels of income, rural development efforts will be of less than desired effectiveness. Efforts on a regional basis directed toward the development of a broader frame of reference for decision-makers could serve to reduce rivalries and promote the development of a regional sense of identity. Regional efforts to secure favorable governmental policies and to secure industrial developments beneficial to the region would almost certainly be more successful than the more localized efforts presently being carried out.

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[1] Pages 57–58—Hearing V.
[2] Page 318—Hearing V.
[3] Page 386—Hearing V.

James W. Monroe, Executive Director, Omaha Economic Development Council*

The National Governors Conference developed and adopted in 1969 a National Community Development Policy Framework, which provides an excellent start in shaping programs and legislative action needed to assist rural and urban communities. Review of this document by committee members and staff should prove fruitful as considerable time and effort was put into its making by a large number of knowledgeable people representing all levels of government.

I respectfully submit the following suggestions:

1. Growth centers.—In 1967, each state was asked to delineate planning and development regions for the purpose of guiding State and Federal programs and funds, thus eliminating confusion and duplication of efforts. In the process of delineating planning and development regions, many states identified growth centers or service centers within each region. These centers represent the major communities which have growth potential and which can best provide medical, educational, employment and cultural opportunities. Future rural development programs should focus on these centers as it is impossible to help every small rural community, many of which lack adequate infra-structure and are too remote from transportation and other services to attract new business and industry even if Congress provides financial incentives. It seems logical that the airline industry, for example, could do a better job of serving the people if airports and air passenger service were developed on the growth center or regional concept. The same would hold true for medical and educational (vocational training) services. I suggest that the Subcommittee on Rural Development urge State governments to adopt regional planning and the growth center concept.

2. State community development policy.—Each state should be called upon to develop a state policy on community development in which specific assistance programs are identified and funding needs determined. A compilation from all states would provide the basis for future Federal programs and necessary financial support.

3. Assistance to local development corporations.—Many small communities which have growth potential do not have adequate funds to acquire and fully develop industrial parks and to construct shell buildings in order to be prepared to compete with larger cities for new industry. Often times industry locates in a community primarily because of the availability of a shell or good existing building.

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*Pages 402–403—Hearing V.

I suggest that the Small Business Administration be authorized to make low interest rate loans to local development corporations for site acquisition, development and construction of shell buildings. Under current programs, a tenant must be in hand before funds are available. (This could be started as a pilot program.) Payments on interest and principal should be deferred for two years unless a tenant has been obtained in the interim. A loan program of this type would be more agreeable to everyone than a give-away program.

4. Technical assistance to small industry.—The State Technical Services Act of 1965 should be revised and funded at a higher level with administrative responsibility delegated to the State Departments of Economic Development. There is wide spread support for this program which proved of great value for several years to small industries throughout America, but the program was terminated before its full impact could be realized. In fact, the State Technical Services Act of 1965 provided for the first time, in many states, assistance of a technical nature to small business and industry. Many small industries do not have technical staff capabilities to cope with or take advantage of the new and fast changing technology currently taking place. A revised STS program could marshall the efforts and expertise of our institutions of higher education, governmental as well as private research and technical resources to expand capabilities of small industries, many of which are located in rural communities, thus creating additional jobs.

5. Create an awareness of advantages in rural America.—An awareness program is needed whereby public service time is provided by radio, T.V. and newspapers to help convey the true image of rural America and the potentials and opportunities available in small communities.

Programs implemented to help small communities must be a part of a National Community Development effort which will relieve the pressure on large cities but not to the detriment of the latter.

STATEMENT OF DR. WELDON V. BARTON, ASSISTANT DIRECTOR, LEGISLATIVE SERVICES, NATIONAL FARMERS UNION*

An important addition to the Farmers Home we think is to make loans to attract new industries into rural areas. As I said, Farmers Union supports title 1. We fully agree with the idea of strengthening the Department of Agriculture as the agency through which farm and rural development programs are to be spearheaded and administered. We think that the Department of Agriculture is the Agency that is best equipped to handle rural development programs in conjunction with farm programs, and we support Title 1 in part on this basis. We think that Title 1 is a realistic and workable alternative to the rural community development revenue sharing plan and the departmental reorganization proposals made by the President earlier this year.

We also support enactment of legislation patterned after Title 2 of S. 2223. This of course is a much more comprehensive system of rural development financing, and for that reason is likely to be somewhat more controversial than Title 1. However, we are glad to see that you have come up with some legislation that you might say "goes for broke" in getting the kind of large-scale and comprehensive program that we need to tackle the problem of rural development. After all, rural development in its broader ramifications is not likely to be successful if it is undertaken on a completely piecemeal basis, or on a halfhearted basis, or in a financially-starved manner. Title 2 we think provides a reasonable mix of administrative structure of hard loans and of cash grant which, if enacted, would set the stage for truly meaningful rural revitalization.

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*Pages 344–345—Hearing IV.

Earlier this year, in our testimony on the farm credit legislation before another subcommittee of the Senate Agriculture Committee, Farmers Union recommended that rural housing loans of the Farm Credit System be limited to owners of housing located in open country and in places of less than 2,500 inhabitants. Our intention was generally to encourage the FCS against the financing of housing in the suburbs and in larger urban places, and to emphasize housing assistance in open rural areas and in small towns.

We view this question somewhat differently in regard to S. 2223. We recognize that effective rural development may need to be focused upon larger communities and towns that offer potential for further growth and development.

However, we think that there needs to be a careful distinction in this legislation between promotion of new towns that are essentially satellites of larger metropolitan areas, on the one hand, and revitalization of communities that serve, and are served by a surrounding area, on the other. While it may be highly desirable—and of course it is a matter of public policy now in a title of the Housing Act of 1970—to develop new communities or satellite cities on the periphery of our urban centers, this is at best what might be called a "trickle out" approach to rural development.

Statement of Bruce L. Bartch, Director, North Dakota Business and Industrial Development Department, Bismarck, N. Dak.*

North Dakota is the most rural of all of the states in the nation. Eighty-five per cent of new wealth generated in this state is attributable to agriculture. A distant second source of primary income is manufacturing, followed by tourism and mining in that order.

As such, it is obvious that the economic well-being of all North Dakotans is dependent upon agricultural production and farm prices on a year-to-year basis.

It is not necessary, in the text of this presentation, to detail the plight of the nations farmers and the effects of national policy on the agricultural sector. It will suffice to say that the cost-price squeeze is causing the consolidation of the farms into larger, more economical units, forcing the marginal farmer off the land, resulting in the decreasing importance of the rural community as a viable economic force. The number of farming units continue to decline by about 1,000 per year.

During the past ten years census period, North Dakota has realized an absolute population decrease of 14,685 or 2.3 per cent and was one of three states to show a population decline. During that same period, the state had an out migration of approximately 94,000 persons. A recent study showed that the majority of these migrants, forced to leave the state because of the lack of job opportunity, tend to be the younger, better educated and of the higher ranked occupational categories. Not only is this situation cause for serious economic concern but also cause for much social concern. The aforementioned study further showed that the majority of the respondents would have preferred to remain in North Dakota had jobs been available.

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*Page 358—Hearing IV.

Other results of dependence on a single sector economy are reflected in income. The U.S. Department of Commerce recently released figures estimating per capita income of North Dakotans at $2,995 as compared to a United States average of $3,921. Only four other states, all in the South, showed lower per capita figures. This gap is continuing to widen and must be stopped.

The obvious answer to North Dakota's economic ills is through a broadening of the economic base—through job and tax base expansion in sectors of the economy other than agriculture. Irrigation development will, at best, stabilize agricultural employment in the affected areas. It will by no means begin to provide jobs for an approximate 9,400 persons who are leaving each year because jobs do not exist.

While mining and mineral exploration have stabilized in North Dakota and there has been a steady if not dramatic rise in tourism, manufacturing and processing must be chiefly responsible for providing economic balance in the years to come. Many legislative incentives have been created in recent years to allow the state to both remain competitive with other states in the region as an industrial location site and to partially offset geographic disadvantages. These incentives have helped but have not solved our problems by any means.

STATEMENT OF LEWIS J. JOHNSON, PRESIDENT, ARKANSAS FARMERS UNION, LITTLE ROCK, ARK., AND CHAIRMAN OF THE BOARD, RURAL-URBAN DEVELOPMENT ASSOCIATION*

Senator HUMPHREY. Speaking of your tourism, there is going to be a good deal more recreation now that you have the Arkansas River development, isn't there?

Mr. JOHNSON. Certainly. In 1970 we had 17.6 million people traveling in Arkansas from out of State. The State collected $105 million in taxes, and the local people collected $12 million in taxes. The tourists traveled 2.5 billion miles in 1970. And services related to businesses for tourists and recreation employ over 47,000 people, which 11,300 firms are participating, like service stations, motels, places like that.

We are showing a 10-percent gain each year in tourists. Now, I wanted to bring that out because after all this particular bill you have here, we don't want to leave out the recreation facilities and those things.

(The document referred to follows:)

RURAL DEVELOPMENT: ECONOMIC CRITERIA FOR ASSESSMENT OF OUTCOME, AND FOR RESEARCH INPUTS

(W. C. Motes)

Thre is one fundamental criterion for evaluation of any development activity: How well does it work, if at all? For example, there is considerable disagreement on whether or not the agricultural commodity programs, forest management programs, soil conservation programs, and many other programs have either direct or significant effects on rural development. To some extent, many of these programs are part of the present rural development strategy. Their relative effectiveness remains a matter of considerable conjecture largely because careful and critical screening of their impacts according to whatever agreed on criteria are necessary to evaluate rural development programs has not been necessary to justify the budgets and costs of these programs.

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*Pages 474–483—Hearing IV.

Because most development objectives involve some form of industrial activity that depends to some degree on external economies of agglomeration, concentration, or scale the plant in the cornfield will probably continue to be an isolated phenomenon widely discussed and highly visible but hard to replicate.

Similarly, the new town will be a kind of a fresh-start ideal: an architectural showpiece and perhaps a social showpiece. But, these towns compete with existing communities; they are hard to finance and organize and I expect them to have mixed success on their own and provide little more than curiosity value for development. We could build new and better towns if we wished to do so. But it is correctly perceived that new towns as a rural development strategy would have only a small likelihood of effectiveness.

The two strategies with the largest chance of effecting viable development in rural communities include numbers (3) and (5)—intervention in the process of development and *growth of local centers* of economic activity and intervention in the process of *adjustment of communities to stable or declining population and stable tax bases.* These strategies appear to guide most active development efforts today.

What can researchers do? Perhaps we, more than anyone else, have the job of putting things together in concept, if not in practice. For starters, we have the responsibility of learning how to put research teams together to tackle some of the really tough complex problems. Our multi-disciplinary cooperative projects are practically nonexistent. And, multi-disciplinary research across State and regional lines is an even rarer bird.

I want to end by pointing out 4 types of projects that should have very high research priority, in my opinion. They involve multi-disciplinary research teams, information needed very soon, and real and important problems to be tackled:

1. Assistance required to ameliorate the impact of mechanization of harvesting and curing flue-cured tobacco.

2. Develop and evaluate alternative adjustment strategies for communities with stable tax bases and increasing needs for community services.

3. Determine and evaluate changes in the characteristics of rural life, the impacts of these changes on the values of rural people, and the extent these attributes can be made available to non-rural people.

4. Evaluate the relative effectiveness of alternative economic intervention policies in increasing industrial development and income in rural communities of various types and locations.

I am arguing in this paper that rural development goals come from interpretations of human values, and that processes and strategies involve the use of all the well accepted criteria to turn up good decisions and forge proper and effective policies and programs. It sounds straightforward and even easy. Where's the catch?

There are two: (1) Human goals are very complex, unstable, and hard to convert into policies and programs. As a result, the tradeoffs—the hard decisions—probably will be unsatisfactory to some most of the time and to most some of the time, keeping the policies and programs controversial all of the time and reducing the commitment to programs and research—probably holding them below the "critical mass" level and perhaps holding them out of sight.

Second, the problems themselves technically are vastly more complicated than is generally understood. For example, the interrelationships among objectives such as education and industrial incentives and incomes of poor people in the first—or 10th year—of a program are extremely difficult to determine, let alone anticipate. As a result choices must be made with very little good information.

But I do not conclude that the task is too difficult. Instead I think an increasing number of people are more clearly interpreting the challenge and setting to work on it.

Mr. JOHNSON. Please right now, Mr. Chairman, let me just give you some actual facts. We are moving out now to the small areas and the Farmers Home Administration does have the authority to make water loans and grants and sewage loans and grants.

Now, here is one thing, and I want to call your attention to it, because it is really important. I believe now that the authorization for the Farm Home Administration is $100 million, but they got $40 million. The authorization by Congress said that you can go up to 50 percent on grants. What do they do? They get $1 out of $10 instead of 50 percent; it is one out of 10 that they can use. Now, it seems to me like, if you get this program going here, and then the Budget Bureau over there can say it ain't worth a darn and we are not going to give you any money for it, you are wasting your time.

Senator HUMPHREY. That is one thing we can't do to title II. Title II will operate despite the Office of Budget Management.

Mr. JOHNSON. That is fine; I just wanted to tell you what the problem was out there, because these small communities are coming in, and rightly so, to get these loans and these grants, because you can't build rural America without having the facilities out there. And our youngsters demand it now, and rightly so. They have got just as much right to have a bath out in the country as they have in town, and they have always had that right. They didn't have the opportunity.

I have got an old 10-gallon tub we used to bathe in. My mother would draw the water in the summertime and we would take a bath that night. But that day is gone. Our people deserve more and expect more, Mr. Chairman, and they are going to have more. It is just that simple.

Let me say this: To go out now and to make a loan in the rural areas to these small towns—yes; the Farm Home Administration can go up to 50 percent. How are they going to go up to a 50-percent grant when they only have the total sum of 10 percent?

Now, I notice a statement here from my friend from over in ecology. We go, it seems like, from one thing to something else. But the man from the ecology department over here came out—it used to be the pollution, but it is ecology now. And I want to read a statement out of his statement, and I want you to listen to it.

He said:

> Major differences between the FHA grant program and the EPA program are the level of funding and eligibility grant recipients. The FHA basic grant is authorized at 50 percent, whereas the EPA grant is limited to 30 percent, and can go up to 55 percent only if the state pays 25 percent of the cost of the project, and certain water quality requirements are met. FHA grants may be made to associations and corporations not operated for profit,

and so on.

But here is what I wanted to tell you. He says here:

> To discourage shopping by prospective grant recipients FHA has informally agreed to limit its grant to EPA maximum.

They have gone and browbeaten Farmers Home Administration and said, "Now, you cut your grant back to 30 percent." Now, isn't that something? We are talking about developing rural America.

I know. I served 14 years on that Pollution Control Board and I contacted them the other day. Now, one of the big problems they have is making loans. The Pollution Control Board has a wonderful staff, but the "red tape" they are required to go through in making grants to rural communities makes them less effective in their work. All tributaries lead to the big rivers and the U.S. engineers must approve all pollution control grants. EPA must approve all of them. And there are so many pots on the fire it is almost impossible to get a grant through any more.

STATEMENT OF WILLIAM E. LAIRD, DEPARTMENT OF ECONOMICS, FLORIDA STATE UNIVERSITY, TALLAHASSEE, FLA.*

SUMMARY AND CONCLUSIONS

Labor mobility has long been the orthodox answer to rural unemployment, but our experience with migration has been ironic. On the one hand, labor mobility has not been high enough to achieve full employment even in the long run. Employment problems have persisted in rural areas, even in periods of high national prosperity. On the other hand, labor mobility has been so high that it has created significant adverse side effects and a series of problems for public policy. Migration has, in a sense, been both too high and too low.

The force of events indicates that the old orthodoxy of labor mobility must be challenged and a new approach adopted which involves increased industrial mobility. Increased industrial mobility would reduce forced rural out-migration and expand employment while providing individuals and families with increased opportunities to satisfy their location and life-style preferences. It is now more practical than ever before to bring jobs to people. Rural-small town locations are quite suitable today for an increasing array of business activities, and industry is increasingly footloose with respect to location, which means that location often can be influenced with no loss of economic efficiency.

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*Page 664—Hearing IV.

HON. JOHN A. LOVE, GOVERNOR, STATE OF COLORADO, DENVER, COLO.*

I believe that it is not too extreme to say that New York City, for example, has almost come to the point where it is no longer viable as a social organization; if it is not in truth ungovernable, at the very least, it is more difficult to govern. The traditional American epic that bigger is better seems to have run its course. It is increasingly apparent that tremendous concentrations of people create economic problems, social problems, psychological problems and perhaps even biological problems.

It seems clear to me that the States and the Federal Government need to devise policies of population dispersal which will give to those who presently live, and those who would like to live, in rural and small-town America the chance to do so.

The thought that the Government should undertake the responsibility of distributing population may, at first glance, seem radical, but I recall, as do you, too, I notice, that such policies are not new to this Nation. And, of course, the expansion of the Homestead Act comes to mind and it is very obvious they did move more people than even the very dramatic great movement occasioned, I think, in my State by the gold rush.

We continue to grow, but unfortunately, the major part of the growth continues to add simply to the urban and suburban areas. Many of our counties reflected declining populations in the last census period. We have only recently realized the full depth of this problem in Colorado and devoted our attention to it. Just a few years ago growth and industrial development were almost as sacred as motherhood and certainly were a sound plank in any political platform. As a matter of fact, I ran on such a plank myself.

But fairly recently, a growing number of Colorado citizens have been saying, "Stop, that's enough," recognizing that growth simply for growth's sake is not an appropriate goal. They have been recognizing that growth, particularly in the urban areas, brings with it increased costs, increased problems, and increased frustrations.

I remember very well some years ago leading a group of Colorado businessmen on a mission to entice industry. We happened to meet in Philadelphia at that time. As our group left the airport in two buses, to move to our downtown hotel, we were caught in a traffic jam and one after the other of our group started to look around at the numbers of vehicles, the evidence of some pollution and the other problems and said to each other, "What in the world are we doing—is this what we want to transplant to Colorado?"

STATEMENT OF MAURICE BERGH, CODINGTON-CLARK ELECTRIC COOPERATIVE, FLORENCE, S. DAK.**

Mr. **BERGH.** Yes, sir. My name is Maurice Bergh. I am a farmer living in Florence, midway between the two towns of Florence and Wallace, and being a farmer I would have to speak to this issue as it looks to a farmer.

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*Pages 28 and 29—Hearing II.
**Page 584—Hearing III.

Thirty years ago the town of Florence was a thriving busy little community, lots of people, lots of activities.

Senator HUMPHREY. That is where I was born.

Mr. BERGH. Today this town is but a shadow of what it was 30 years ago. The population, sure, is somewhat smaller but I do not think this is alone the problem. We have approximately 2,367 members in the Codington-Clark Cooperative Services area. We have 500 idle services. I think this is the problem in Wallace, S. Dak.

Senator HUMPHREY. What do you mean by 500——

Mr. BERGH. Built and not being used today. This amounts to something over 25 percent of our active membership. These people have left the Wallace community. This has affected our churches, our schools, our social centers. It has created, I think, a problem in my opinion.

What has this done to the people that are left? We have to pick up the bill for the people who move out of our cooperative. We by law as a cooperative are pledged to serve 100 percent of the people if they desire service. We tried to do that and we have very nearly succeeded in doing the 100 percent but the people that are left are now paying the bill, paying for those lines, and doing it at a time when we are receiving as was mentioned before today, approximately 70 percent of parity. We are victims of inflation like everyone else. Our employees like highways. They are used to working for $3 an hour. Now they want $5, $6, $7. I do not blame them for this. They are justified. I bought a new truck last fall that cost almost double what a comparative truck cost us in 1960. Our members have to pay these bills. That is the only source of revenue the Codington-Clark Electric Cooperative has and this has to come from the farmers and they are receiving 70 percent of parity.

In my opinion, gentlemen, give us parity income and I believe that you can solve many of the economic ills of our entire country. Thank you.

Senator HUMPHREY. Any other questions, gentlemen?

STATEMENT OF HON. ORVILLE L. FREEMAN, PRESIDENT, BUSINESS INTERNATIONAL, NEW YORK, N.Y.*

Mr. FREEMAN. In terms of ability and training the migrants from rural America to the metropolis have been primarily the best equipped and the least equipped. The departure of the best sapped the strength and dulled the promise and potential of rural America. The arrival of the worst compounded the problems of cities already sorely tried by unplanned growth.

Each feeds the other, and if the trend to megalopolis continues for the next 30 years, upwards to 100 million more Americans will be stacked onto the 140 million already living in our cities and suburbs. To look at it another way, if these 100 million Americans were to live in newly created communities, a city of the size of Columbia, Md. (10,000) would have to be created every day for the next 30 years.

I think that has been true of the welfare program; it has been true of the housing program; it has been true of the farm program and we just haven't paid any attention. And now we are in the process of reaping the harvest.

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*Pages 6-26—Hearing II.

Some people are afraid of planning. Well, let me say to those who express such fears that the very worst planning in the world could not have made our cities and countryside any worse than they are today.

Myriads of decisions are being made and billions of dollars are being expended today with little or no thought being given to the impact they have on the quality of life or the total community, region, or nation. This process of uncoordinated, unplanned, and thoughtless action has been the real basis of our Nation's crisis in housing, energy, crime, transportation, education, health care, welfare, and environment.

I do not believe, as some do, that a continuation of the trend to megalopolis is inevitable. Certainly, a nation that has successfully explored outer space for 10 years and has landed men on the moon can muster the energy and technology to create a life on earth that offers opportunity and something of grace for all—a life of quality. We must learn to accept as a fact that land, as space to live in, is scarce and taking priority over our older concept of land as an extraactive resource, to be farmed or mined.

First we must recognize that the relationship of people to people and people to living and breathing space is a nationwide challenge. That means our policies must be based on nationwide geography, and not just political geography. We must achieve what I call a rural-urban or people-space balance. We now have and will continue to have space to spare, that is, if we properly plan its use. But we cannot use it properly if in planning space it is constrained by the city limits, the county line or the State border. We need a national growth and settlement policy covering the geographic distribution of economic opportunity, jobs, and people.

That policy must be guided and facilitated at the Federal level and flow to the States, counties, cities, and smaller communities, not as a flood to inundate them but as a stream on which they can float constructive remedies and man their own oars to help reach the national goal.

The same should apply when relocating existing facilities or in the awarding of its procurement contracts. By taking such action government can both demonstrate to industry the merits of such decentralization as well as provide business with some spin-off benefits. Through such action government can make a major contribution to the development of non-metropolitan growth centers consistent with national policy of environmental development.

In fact, every government policy or program should be measured in terms of how it can be administered to help improve and restore the balance between people and living space. The impact of government policies on which people live, and how they live, has seldom been appreciated. But you need only to look at Huntsville, Ala., or the Manned Space Flight Center at Houston, Tex., to understand the power of one government decision to transform communities and lives. Expenditures for the functions of Federal, State and local governments comprise more than 20 percent of our nation's gross national product today. Government—local, State, and Federal—is our biggest business and in its business dealings it should take the lead, be the model to launch an intelligent national population settlement policy and pattern.

A special town and country development bank should be created similar to the National Urban Development Bank that already has been suggested which could be financed through funds subscribed from State and local government as well as from private sources.

Federal underwriting of the unusual risk elements that will be involved in meeting development challenges would provide such a bank with the borrowing and lending authority to do the job. Eventually, a $10 billion loan fund might be made available. There is nothing entirely new in this public/private approach. The Farm Credit Administration, created over 50 years ago by Federal legislation to help farmers has loans outstanding of over $13 billion and a net worth of about $1.7 billion. It has repaid the Federal capital and now operates without subsidy. The system is now wholly owned by its farmer borrowers.

In addition to the Federal funds that would be provided to start this development bank, funds could also be generated through the sale of bonds, guaranteed by the Federal Government, which would be sold by the bank to private investors. These banks could then: (*a*) guarantee loans made through private lenders for community and district-wide development and improvements; (*b*) fund nonprofit community development corporations whose purpose it would be to improve and establish new community institutions and services; (*c*) fund semipublic housing and recreational development corporations; (*d*) provide loans to industry and businessmen who are willing to establish or relocate businesses in smaller communities; (*e*) provide direct loans to communities for special community facilities and services; and (*f*) provide a full range of technical and planning assistance to those groups of individuals eligible to borrow money from the bank. Such banks, with an assured source of funds, would encourage longrange planning for area development purposes, which is now discouraged because the resources to implement those plans are often not available.

(6) Create a new national and regional planning framework to develop and coordinate planning efforts to assure consistency with national, regional, State, and local objectives.

Perhaps one way to begin to tie together and implement action of government with that of local people would be a system of regional institutes which in themselves could be located in small- or medium-sized, growth-oriented communities to augment their growth. These institutes could provide research, training of professional planners and public administrators, help develop local leadership and supply technical and consultant services, each tailored especially for the region in which it is located.

They should be funded, initially at least, by the Federal Government because their benefit would cross State lines. However, the States served by each institute should participate in its management operation, and funding. Through such a consortium new techniques, institutions, and systems might be developed to provide a basis for an eventual higher level of civilization in this country, one which takes into account an individual's concern for the quality of his entire environment, not just one or another part of it. Through such institutes it also might be possible to break the barriers of political boundaries—local, county, and State—that often stifle the orderly development of many communities.

We do have a number of regional groupings as I mentioned in the testimony. We do have States cooperating with each other on an informal basis. We do have programs, particularly in the conservation fields, reaching across State lines.

I think there is something to be learned from these ongoing efforts. The thrust of my comment is that they ought to be brought together in logical groupings, and there ought to then be regional plannings in which States fit and then in which local communities fit which are consistent with the particular area and recognize that basic problem solving doesn't lend itself to isolated solutions. And I think there is a variety of ways it can be done and conceivably be done differently in some different parts of the country where the experience and the tradition is somewhat different.

But the main thing, I think, would be a clear enunciation by the Federal Government that there ought to be comprehensive planning. I emphasize the word comprehensive. We have got an awful lot of planning in the country but it is fractionalized here, there and the other place, planning for certain things but not planning in terms of the totality of what is needed within an area.

And, that takes us to one of the big problems that is reflected in the frustration about bureaucracy and the plethora of Federal agencies and programs. Certainly it is true that programs have grown like Topsy and present a complicated and complex picture.

But on the other side of the coin, if the people in local communities knew what they were dong, if they really understood what they came to Washington to get, if they had a plan, if they could present a clearcut goal, much of the present confusion would be eliminated.

And so I emphasize very strongly, the need for comprehensive planning, bringing together the various facets of the problem and taking a look, at the total picture and planning accordingly.

Until we have an active national policy and with commitment of national resources, the problems of city and countryside will remain insoluble. The interaction between them will continue to compound the problems of each. It is past the time for rhetoric. We must create a national policy with a capacity to coordinate a national effort, designed to use the combined resources of government, business, and 205 million plus people to erase the damaging effects of 50 years of unplanned growth and to create a land where Americans can live at ease with each other and their environment.

It cannot be emphasized too strongly that to do this will take a total national effort with participation at every level of government, the private sector of our economy, the professions, organized labor, and individual men and women and young people everywhere.

(1) Stimulate town and country governments to improve local community services and to develop their human resources.

Although numerous efforts were launched and great strides made during the last 10 years to assist smaller towns to improve community medical, educational, housing, utilities, and recreation services, much more is desperately needed in this regard to meet our national requirements.

If a community wishes to attract industry and the jobs that accompany it, it must be able to provide an adequate amount and quality of such basic services. This often requires that the community increase its taxes to finance the development or enhancement of such services.

Most of our smaller and medium-sized communities either are unwilling or unable to take such action. Although many have been encouraged to move in this direction, with the help of Federal and State financial assistance, such has been more the exception than the rule.

It is necessary to develop capacity in every nonmetropolitan area to provide basic education, as well as training and counseling service for all. A number of States have pioneered the concept of community 2-year colleges and training institutes where young people can have greater access to higher education, make up deficiencies, or prepare for jobs requiring special skills. The concept has been proven; the program must now be extended to reach all of town and country U.S.A.

Special efforts should be undertaken to train and assist local leaders in the skills of community planning and public administration. Some State governments and foundations already have recognized the need and are increasingly supporting leadership training endeavors in one form or another. The North Carolina Institute of Government is one such effort. The Office of Economic Opportunity also has come to realize that many of its community action programs were failing or falling short because local program leaders failed to stimulate and direct the community action that would make the program work. As a result OEO has since funded efforts to teach leaders how to lead.

Also, incentives should be developed to help retain and attract well educated young people to these smaller communities so they can begin preparing to move into the leadership and professional positions in these communities.

Government is probably less subject to the same economic forces that control industry location decisions and is uniquely suited to initiate an effort immediately to give preference to smaller and medium-sized communities in the location of new installations and facilities.

We have a commercial farm program. I think it has worked very well. It has helped agriculture, the commercial farmer, significantly; it has helped our farmers grow more efficient and has made it possible for fewer farmers to produce more and for people to move into other kinds of employment. That has enhanced the national well-being.

But we haven't had a program for the subsistence farmers that were not able to move from the farm to the city and get jobs. The need for a program for subsistence farmers is mixed into the evaluation of the commercial farm program. That is like comparing apples and oranges. A commercial farm program and a program for small subsistence farmers are two different animals.

But we saw this coming. Everybody has seen it for the last 15 years.

It didn't take very much wisdom to see that a cottonpicker and the use of chemicals on weed control was going to displace millions of farm workers in the South. I have been on cotton plantations where within 2 years the number of tenant farmers has dropped from 100 to 6.

Now, where were those people going to? The problem stands out like a sore thumb. But we did nothing about it. And now we are in trouble.

Senator CURTIS. Isn't today the Federal Government creating frustration on the part of many young people in that some of our temporary programs set up over the last 8 or 10 years are training people for jobs that do not exist?

Mr. FREEMAN. I am sure there is some of that and the reason if it is true in my judgment would be that we don't know where we are going and we don't know what jobs we will need 10 years from now. We have never taken a hard look as it, never done any planning to mark out where we are going. Instead we are going faster and faster but we aren't sure where.

In connection with this Town and Country Development Bank approach, I think one of the great things about that concept is that instead of having bureaucracy back here in Washington dictate to the whole country, you have the people in the local areas making some of these decisions. That appeals to me and there may be some guidance that could be written into the bill. The results of the Farm Credit Administration show that people at the local level with their own elected officials and their own bank board members have done a pretty good job. I would like to see this local effort emphasized much more than it has been.

Possibly one of the troubles we have had has been that we have had a little bit too much dictation from Washington and not enough local control because there hasn't been the money resources to back up the local control.

SENATOR HENRY BELLMON [1]

Rural development would be facilitated by establishment in each county of a rural development office and rural development council to guide development according to an orderly plan, rather than in piecemeal fashion. Present offices of the United States Department of Agriculture are too limited in resources and in areas of responsibility to fully meet current needs.

GOVERNOR JACK WILLIAMS OF ARIZONA [2]

Any rational growth policy should take into account the needs of both rural and urban America. Perhaps a national growth policy is needed built around the growth center concept in a manner that will benefit the hinterlands around them. Before a national growth policy is developed and implemented, state growth or development policies should be carefully examined and where indicated, support in lieu of a national growth policy.

GOVERNOR FOREST ANDERSON OF MONTANA [3]

There is a great need now to redistribute the population of this country to alleviate the pressure on urban areas and revitalize the economy of rural America. Federal, state and local government can assist in this process by developing programs to utilize human and natural resources in rural America.

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[1] Page 52—Hearing I.
[2] Page 66—Hearing I.
[3] Page 111—Hearing I.

At the federal level, government facilities, such as research centers, could be located in rural areas rather than in population centers. This would aid in dispersing the population. The National Governors Conference adopted a resolution calling for voluntary population distribution.

GOVERNOR BRUCE KING OF NEW MEXICO*

If we are truly to expand the rural economy, should we not encourage the relocation by business and industry from the already overcrowded cities? Currently EDA policy is to assist new business to locate in both urban and rural areas. But if an employer decided to relocate from the city to a rural area he is denied some types of federal aid, and is often termed a "runaway plant". Naturally the big cities do not favor encouraging their precious industries to move away. Nevertheless, if expansion in the rural areas, and an end to massive migration to the cities is important—and I believe it is—then the creation of jobs in rural areas must be further encouraged. Only when it is national policy, and started as such, will many businesses make the decisive step into the rural areas.

STATEMENT OF HERBERT J. BINGHAM, EXECUTIVE SECRETARY, TENNESSEE MUNICIPAL LEAGUE, NASHVILLE, TENN., REPRESENTING THE NATIONAL LEAGUE OF CITIES AND THE U.S. CONFERENCE OF MAYORS**

I will not say too much about delivery system at the Federal level. There have been a number of suggestions made. We will have to improve the receiving capabilities of our local communities, and a lot can be done about this. I think that one of the new major emphases of our Federal programs should be to improve community management capabilities of all the resources which they have to utilize—Federal, State, local, public, private—in order to maximize their potential for economic development. We ought to have possibly a new federally supported management improvement program for small communities.

Senator, on July 1 we introduced in Tennessee on an experimental basis an intensified management assistance service to 18 small cities located in rural areas. They have entered into a contract with the University of Tennessee to secure certain management services. These communities will be paying for half the costs of an expert city manager, backed up by a team of expert consultants in about eight different fields, ranging from public finance to general policymaking. They are going to have available to the mayor, the city manager, city council, and department heads the finest municipal management teams in the country, ones if employed individually would cost in excess of $150,000 apiece.

Small communities need such assistance to help solve some insoluble problems they do not know what to do about. This is the sort of thing we really need in these rural communities across this country.

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*Page 115—Hearing I.
**Pages 212-216—Hearing II.

Senator Bellmon. How has this team been put together? Is this a federally funded project?

Mr. Bingham. Yes, sir; we are funding about half of it from title I of the Higher Education Act, 1966, and the rest from State and municipal funds.

Senator Bellmon. Are these services going to be available to the communities on some cost-free basis, or do they pay for services?

Mr. Bingham. They will pay half the cost of one management consultant about $15,000 a year. It will cost about $30,000 a year to finance this one man and give him the necessary backup, including travel, clerical personnel, and so forth.

In these rural areas, the biggest crop of farmers and the Department of Agriculture is new cities. It starts along the rural roads and the rural water lines when a farmer continues to grow a field of corn down by the creek and plants a field of houses up along the road.

A typical example is the 14 county metropolitan regions encompassing at its center the consolidated metropolitan government of Nashville and Davidson County and 13 neighboring rural counties. A few days ago, the council of governments for this region held a 3-day conference on new towns and new urbanization with representatives of the metropolitan center and some 20 municipal governments in the 5,000 to 40,000 population range located within a radius of 50 miles.

It would found that the decade of the 1960's brought rapid urbanization in the outlying rural counties with population gains as much as 5 times greater than the metropolitan center in spite of its superior form of government and ample vacant land for new development.

For example, Senator, we are talking about Oklahoma City with a jurisdiction of 535 square miles, over 85 percent of which is vacant—yet it could not grow.

Senator Bellmon. Let me get it straight. They were actually leaving the city limits of Nashville?

Mr. Bingham. They are going out into eight surrounding counties.

Senator Bellmon. Even when there is still plenty of space in the county?

Mr. Bingham. Yes.

Senator Bellmon. Why were they leaving?

Mr. Bingham. Cutrate competition. We got over 2,500 miles of rural waterlines mainly built by the Department of Agriculture and in some cases by HUD. There are no urban development standards, so along a rural road and rural waterline they build houses. They can save $2,000 to $5,000 a house by avoiding putting in sewers and waterlines and adequate streets and storm drainage and sidewalks and curbing gutter and the other requirements for standard urban development, the kind which every village and every city of this kind imposes upon new development, upon the corporate boundaries of the city through what are called subdivision regulations. There are no standards in the rural areas outside unincorporated municipal boundaries. So you have cutrate development.

Neither are the 20 smaller outlying cities that I mentioned, growing. The growth is coming in between.

Now, there is no requirement for planning. There are no land use controls. There are no subdivision regulations. There are not any development standards at all, and there are no urban type facilities.

The only thing is a top waterline, just enough to get tap water. You cannot fight fires with it . You have got septic tanks instead of sewers and so on.

Senator Bellmon. You have REA?

Mr. Bingham. Yes, we have electricity. It is a nonurbanized area, but not the urban possibilties.

Senator Bellmon. What about police protection?

Mr. Bingham. Usually not. Surprisingly one of the bad developments or things that occurs that you do not plan for are major thoroughfares in this sort of development. For example, you need a four-lane highway. You have to bulldoze down a development on a country road to get a highway. Maybe it will cost $2 million a mile when you could have both that extra field over there for a small sack of money.

Moreover, development is not occurring in the 20 outlying small cities. Rather, virtually all of the population growth and much of the industrial and commercial expansion is happening along the estimated 2,500 miles of rural water lines in the county—governed territory falling between the metropolitan city and the small suburban cities. This development was without planning, without land use controls, without subdivision regulations, without any developmental standards, and without urban-type public facilities.

Six years ago, the National League of Cities and the National Association of Counties joined in an intensive study of substandard urbanization in similar territories all across the country. The NLC & NAC then promulgated a joint policy statement recommending that the Federal Government and, where they will, State governments' impose standards for new urban development in rural as well as municipal areas if any Federal funds and programs are to provide facilities encouraging and supporting urbanization.

The general concept, spelled out in detail in the joint statement, is to impose the same type of workable program for community development upon these urbanizing rural territories as the Federal Government has already imposed on other urban areas that happen to be governed by incorporated municipalities.

Senator Bellmon. Let me interrupt. Let me ask you, are you saying that you are recommending that in order for a resident of Nashville to move out and build along a country road on a rural water line that you want him to build a sewer and gutter just like he would in the city?

Mr. Bingham. Senator, what we are suggesting is we do what communities have done in some county areas and some States. Just simply say that if it is urban type development, it must meet these standards and requirements. The situation would begin to take care of itself. In the metropolitan region, between those outlying communities, where there are sewers and waterlines, new towns should not locate in between. That area should stay agricultural. If somebody wants to go out, as sometimes happens, and foster a development where they are willing to put in these adequate public facilities they can do that. Otherwise the development standards will force them to locate where these required facilities are available.

Statement of Dr. Wilfred Lewis, Jr., Chief Economist, National Planning Association*

Any policies which artificially raise the rate of growth of some cities must by the same token artificially reduce the rate of growth of other cities, and while there are many places that have more social problems than they want, I know of no city that thinks it has too many jobs or too much income.

The problems that we associate with large cities—crime, poverty, congestion, pollution—are problems of crime, poverty, congestion, and pollution, not population problems. We can and must attack areas, and problems directly wherever they exist, in either rural or urban areas, and attempting to move people around or redirect growth is a crude, indirect, inefficient, and probably ineffective way to attack these problems.

If we concentrate on stimulating growth elsewhere, then I think that attempting to move people around will probably leave the cities with the same problems they have now, and fewer jobs and lower incomes than they would otherwise have.

The pattern of population growth we experience is the result of location decisions made by millions of individual firms and people, all of whom at least hope to better their condition by moving, and most of whom probably do. Of course, private and social costs and benefits may not coincide if some of the costs of moving are borne by society rather than the private parties doing the moving.

There is considerable evidence that most urban places of less than 50,000 population that are not close to other larger cities are going to continue to stagnate or decline in population rather than reach a point where their growth would begin to accelerate, and that it would be very, very expensive to attempt to reverse the powerful natural forces that are causing this. Of course, if enough money were available, we could create another New York City in the middle of the desert.

Taxpayers might legitimately complain about the wisdom of such a strategy, however.

Senator Humphrey. We would not want to do that.

Mr. Lewis. Since most small towns are likely to decline in population anyway, and since this causes serious fiscal imbalances between tax base and requirements for social services in those areas, a strong case can be made for Federal aid to help such towns "die gracefully," as someone has put it; that is, a larger Federal contribution to welfare and other public service costs, aid to outmigration, and greater efforts to train local residents in skills they can successmully market in larger urban places.

You have a statement here that touches on the cost of providing public services in cities of different sizes. However, it is far from clear. We have had testimony here giving specifics. There is a good deal of evidence that the cost of educational services in the metropolitan area the size of New York is much higher and not necessarily better education than you would get in Dubuque, Iowa, and the cost of police service in metropolitan New York or Philadelphia much higher than you would find in Rochester, Minn.

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*Pages 202-206—Hearing II.

I belive there are differentials. That does not mean people want to live in Rochester or Dubuque. I am talking per capita costs, too.

Mr. LEWIS. Part of the problem is these big cities are working with much tougher customers. They, too, in fact spend more per person to educate and they may not have as good an output at the end of the process, but it seems to me that is no critique of the city; that is, if you took those same people and spread them out in another area you would have the same educational problem.

Senator BELLMON. Mr. Chairman, may I interject?

Senator HUMPHREY. Yes.

Senator BELLMON. Where do these tougher customers come from? Didn't a lot of them come from rural areas?

Mr. LEWIS. I think the ones that are probably the toughest customers for the educational institutions, yes, are recent migrants from the rural areas.

Senator BELLMON. Why does it cost so much more to take care of them in an urban setting than it does in a rural area?

Mr. LEWIS. Is it clear that they were getting the same educational services in the area they came from, sir? I really do not know that there has been a really careful study of that. We have impressions, but I think a lot of the people who move from rural districts, the rural South to large cities think even after they have made the move, and in spite of all the problems that we are very conscious of in the cities, they are better off. It might be worthwhile asking them sometime.

Senator HUMPHREY. I think that there is a great deal of room for improvement of educational facilities, for example, and health facilities in rural areas.

What we are hoping to find is that if you update and modernize services in rural areas, medical services, health services, transportation services, cultural facilities, recreational facilities, that you start to give people real choices.

I am not one that thinks that the city is all bad. To the contrary, there are many parts of the city that are very beautiful and worthwhile. But I do believe there is some evidence that indicates that there are optimum populations, population sizes.

When you crowd—as somebody pointed out there not long ago—that if the other four boroughs of New York City had the same density population as Harlem all 200 million Americans could be put in those other four boroughs. You cannot live a happy, constructive life with that kind of population density.

I think it is pretty well known that no matter how much welfare you put in, it does not necessarily lead to happiness—I mean, even to health, even to jobs.

STATEMENT OF CHAD A. WYMER, DIRECTOR, IOWA DEVELOPMENT COMMISSION, DES MOINES, IOWA*

One of the big problems certainly in our cities is the available assistance from the Federal and State agencies which will assist these communities in providing these facilities and if it does not happen, certainly there are a lot of them that I think will go by the wayside. Of major concern to me, and some people discussing the national growth policy, has been that they have talked about communities the size of 10,000 to 50,000.

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*Pages 433-435—Hearing III.

Gentlemen, I would suggest to you that we here in Iowa, in rural America, have to give consideration to the cities ranging in population from 1,000 to 50,000 rather than to say there is a need to create new cities in our States as the large majority of these cities in these population ranges can and do provide a nucleus on which we can build and expand at a lot less expense while providing a good standard of living.

To me this will assist in the out migration problem that we have to the metropolitan areas which creates the problems we are witnessing today.

I would like to cite some of the statistics from the attachments on page 4 to you. In Iowa we have only seven cities with a population of over 50,000. Thirty cities have a population range between 10,000 to 50,000, while there are 221 with a range of 1,000 to 10,000 population which I do not believe we can afford to overlook.

I believe that a trend of their potential to attract desired growth is illustrated on page 2 of exhibit 1 where we note that during that period from 1966 through 1970, we experienced the following activity in communities with a population ranging from 1,000 to 10,000.

New industries started, 85, which represents 61 percent of the total new industrial projects for that time period. There are 148 branch plants which represent 47 percent of the total branch plants located in our State, and 322 expansion projects by existing industry which represents 38 percent of the total expansions taking place in the entire State.

These communities are awfully important to us. I should point out to you, which was not explained earlier, but is included in testimony. When we are talking about a new industry, we are talking about a company that did not exist before. It is a brand new operation. A branch plant is a company which has headquarters in the State or out of the State locating a new plant in some community within our State. Expansions, I believe, are self explanatory. At this point I have not mentioned the vast majority of our communities, 711, for instance, under 1,000 in population. Many of these communities can and have attracted new economic opportunities. Many of these do not possess the necessary facilities to support industry and, therefore, cannot compete with the larger communities. Further, the expense to prepare them is not economically feasible. All of these communities, however, are so located that they have easy access to the communities of 1,000 or over and can and will benefit from the concentration of activity and services within the larger communities.

To further illustrate this point, when talking about population I have included in exhibit 3, a story written by Mr. Bob Rigler, Security State Bank, New Hampton, Iowa, on the location of the Kitchens of Sarah Lee, a $27 million installation, providing employment for about 500 people in a city of 3,600 population.

Other examples recently announced in past months are a plant facility in the town of Wilton Junction, Iowa, population 1,873, by MISCO. They will employ initially some 250 with a projection of up to be 1,000 employed, and in Sibley, Iowa, right in this region, population 2,749, with Chase Bag Co. announcing a plant to be built there, which will employ approximately 200.

To date in most of the recommendations that have been made on rural community developments except for these hearings today, I would say, one of the major problems is low prices for agricultural commodities and it has not received a lot of attention. I realize in the last week President Nixon has come on stronger in this area, as he did when he was in Des Moines, but I am quite concerned with our cheap food policies both on the national and international levels. This added to the rapidly spiraling increase of farmers' production cost, to me, contributes to the total overall problem. To further emphasize the complexity of this problem, I am submitting "Exhibit 4, Problems Related to Agriculture in Iowa"—done for me by Dr. Martin Lind, director of our research division, in cooperation with Mr. Del Van Horn, our agricultural director. Both of these gentlemen, by the way, are farmers.

The agricultural productivity and industry is increasing every year. The world food situation demands this. The problems I have just finished discussing will continue to perpetuate themselves unless we take a positive approach to find solutions. It is fairly obvious that if we are to maintain the present cheap food policy and a market level that will expand our foreign exports, and if we are to increase the income level that will expand our foreign exports, and if we are to increase the income level of our farmers, then we must subsidize their income as has been done in other industries.

I, therefore, recommend that in conjunction with a program for rural community development that a task force be established that would deal exclusively with the problems of low farm product prices.

In the past we have had almost countless task forces looking into this problem. The task forces have gathered volumes of information showing that there is indeed a problem. The vast majority of solutions proposed have been in the nature of putting out specific brush fires as they arose.

The type of force that I propose is one that is held within the confines of the total program and one that operates under the goal of the solution of the total problem, not the documentation of it.

STATEMENT OF DR. ROBERT J. MORRISEY, BRIAR CLIFF COLLEGE, SIOUX CITY, IOWA, REPRESENTING THE COLLEGES OF MID-AMERICA*

I would like to refer again to former Secretary Freeman's presentation and his comments on a new national and regional planning network, and I would like to contrast what he said with that of William Guy, Governor of North Dakota, in his presentation on the same date. The comments of both men, I feel, are pertinent to national planning of higher education.

Freeman's plan, I think most metropolitan planners would agree, is badly needed and offers much potential for orderly national growth and the settlement of many problems caused by imbalances in the distribution of our population.

I would like to call the subcommittee's attention to the fact that Guy's position seems to be laissez faire on this matter. He stated that certain cities should not be designated growth centers and that every city and village in rural America has the potential to be a growth center. It appears to me that he is supporting current policy and the past practice which got us into the position we find ourselves today, and from which we hope to be extricated.

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*Page 505—Hearing III.

It is my position that higher educational services should be included in the national planning which Freeman proposes. Consortia like the colleges of mid-America are numerous today, and they are bringing regional planning to higher education.

STATEMENT OF HON. JIMMY CARTER, GOVERNOR, STATE OF GEORGIA, ATLANTA, GA.*

PROPOSALS FOR RURAL DEVELOPMENT

One of our most fundamental errors in the past has been the overriding philosophy that "more is better." Only recently have we begun to realize that quality is not necessarily determined only by quantity. That is, the quality of life means more than how much our population grew or a number of jobs were created in this area during the past year.

With this in mind, I would like to suggest that the Rural Development Subcommittee institute comprehensive legislation which recognizes the need for rural-urban balance in America.

As a point of beginning, this legislation should include the following components:

1. Include State government as an active participant in coordinating and directing federally assisted programs which affect the rural and urban areas.

2. Provide financial incentives for planning and development on an areawide basis. Most of the crucial problems facing rural areas—economic revitalization, transportation, pollution control, and development of human resources—cannot be dealt with on a county-by-county basis. Rather, they must be solved using an areawide approach with strong support and guidance from the State. This means the development of a strong areawide planning and development process.

3. Provide the fiscal resources to implement the planned developmental facilities and services. Increased public investment in basic community needs coupled with a decentralization of industry and manpower training programs would serve to revitalize our rural areas.

4. Develop and implement a national urban-rural balance growth policy. We must begin to plan our development if we are to avoid the wasteful sprawl and severe personal dislocations which have heretofore characterized our growth. Along this line, we should have a national regional development program, patterned after the lessons we have learned from the Appalachian and Coastal Plains regional experience.

5. Continue and intensify efforts to provide agriculture with a fair share of the Nation's economic prosperity.

DEAR SENATOR HUMPHREY: It was a pleasure to meet you in Tifton, Ga., on July 9. I appreciate your bringing your sub-committee out into the field for hearing testimony. As I mentioned to you then, I am originally from the Eau Claire, Wis. area and have been working in North Georgia for the past 8 years. We certainly need rural development.

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*Pages 861–862—Hearing III.

Before closing out the hearing, Senator Allen said that you would accept testimony for one week as part of the Tifton hearings. I would like to offer my ideas for your consideration.

I think the essential quality for a plan for rural development is that it be comprehensive. I am not asking for an omnibus rural development bill, but a comprehensive national plan for rural development. This would include the goals for population distribution for housing, for education, for health services, and for economic development. As individuals bills are drafted, they would then be drafted against this comprehensive plan. Then, we, as a people, would know how far we had come and how much farther we had to go.

As planning is essential on a local level, I think it is equally important on the national level. Pragmatism and expediency are understandable in our political life, but they are not substitute for planning.

The second most necessary element of rural development, as I see it, is the streamlining of government agencies. I was chairman for a 16 county CAP agency for 3 years. During that time I saw the almost unbelievable multiplicity of health, welfare, education, labor, economic development and agricultural agencies on both the local and the multi-county level. More than that, these agencies overlapped in areas of jurisdiction and duplicated each other's services. We were committed to help unravel that maze, but we only contributed to it more. The state and federal government comes to the local and multi-county area with a multiplicity of programs which lack coordination. The Technical Action Panel was a good concept but it did not work either.

I would like to offer a rather wild idea that might be a possibility: Life is complex and complex rules and regulations must be drawn up to separate those who qualify for various programs from those who do not. Why could not these complex qualifications be put on a computer? Each Federal agency would feed its programs into the computer. At the local level a representative from the Federal government would interview the person or community seeking help and would feed his particular data into the computer. The computer would then print out these programs for which he is eligible.

I know it sounds impersonal, but it may actually be more personal. Now the social worker is pitted against the client because the social worker or the agency person is a symbol of the governmental regulations. Under the idea I am suggesting, the government representative could be seen as an advocate of the citizen and pitted against the computer trying to find circumstances in the person's or the community's life which would make him eligible for programs.

I am committed to rural development because I am committed to human development and the rural areas have been detrimental to the full human development of our citizens. Count me as a supporter of your work.

Your Brother in Christ,

REV. FRANK RUFF,
Regional Office for Non-Metropolitan Ministries.

NOTE: Taken from page 940—Hearing III.

STATEMENT OF CARL D. PAULSON, GENERAL MANAGER, NORTHWEST IOWA POWER COOPERATIVE, LE MARS, IOWA *

One such industry which could lead the way in rebuilding the rural areas is the location of various government functions in the rural areas. The government could actually take the lead in the movement of industrial type employment to the rural and small town areas. Until now most of this type of government industry has been located either in, or adjacent to, large population centers making the congestion and pollution problems worse in those areas. An example of such a movement would have been the Space Center which was located in Houston, Texas, a city already having a population of over a million. Centers for handling retirement and disability pay for veterans and government employees were located in Cleveland and St. Louis. This list could go on and on with similar examples and usually the cities involved are those with the greatest problems related to congested population.

What could be a better industry for a small rural area community than a U.S. Government recordkeeping facility employing a few hundred people. It may even be possible for the government to save a considerable amount of money in making this move because the work would be away from the large population, high salaried areas.

Another large government function which could greatly improve the economy of an area would be the location of military facilities in our area; yet it seems that every time the deicision is made to close a military base the ones in our area are the ones which are shut down and the ones in California or other warmer climate areas are the ones kept open. Again, in a good many cases the military bases kept open are at or near large population centers. From this, one would judge that the military experts have determined that our future wars will be fought in warm climates and near big cities. This is certainly not true.

As an example of the scarcity of military bases in this area there are none in Iowa, only one in Nebraska, one in South Dakota and a couple in North Dakota. Some of these are quite small as far as number of personnel or payroll is concerned. It seems this is another area where the Federal Government could do a great deal to help the economic situation in our area and other depressed areas. With leadership of the government in establishing facilities in the rural areas, other industries would continue here. For every new job created in the rural area, new requirements would be created for serving these people by adding more, but economically advantageous, problems to the employment picture.

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*Page 587—Hearing III.

REGIONAL PLANNING BELOW THE FEDERAL LEVEL

CONRAD M. FOWLER, JUDGE PROBATE, SHELBY CITY, COLUMBIANA, ALA.*

Programs formulated by Congress should continue to provide incentive to State and local government to engage in comprehensive planning local, regional, and statewide for the delivery of local services. The delivery of local services is our stock in trade. It is just as important to plan ahead to determine the need for governmental services 10 and 20 years into the future as it is for General Motors and Ford to anticipate the motor vehicle needs of America 10 and 20 years hence. Regional planning, to insure that various municipal and county officials meet together to seek more efficient ways of accomplishing common goals, must be supported.

STATEMENT OF HAL A. DAVIS, EXECUTIVE DIRECTOR, COASTAL PLAIN AREA PLANNING AND DEVELOPMENT COMMISSION, VALDOSTA, GA., AND CHAIRMAN, GEORGIA REGIONAL EXECUTIVE DIRECTORS ASSOCIATION**

The 19 area planning and development commissions in the State of Georgia are today making vigorous efforts to begin working together more closely so that they may multiply many times over the services they have rendered to the citizens of their areas in the past. It is hoped that this effort will culminate in new programs which will employ a regional approach to the general and specific functions and problems of government. These programs would lead to APDC assistance to county and municipal governments in such possible areas as water and sewage billing, the service of utilities, the collection of taxes, and others.

It is apparent that Georgia's local governments are today in a financially critical state. They are unable to meet the demands placed upon them by their citizens with the limited sources of funds now available. The result is a constant reliance on the one basic revenue source which is already overburdened—ad valorem taxes. To mitigate this situation, APDC's invision programs of consolidation of services which would lead to more efficiency and consequently more service for every dollar available. This can be accomplished through the regional approach to government and its problems. The regional approach, initiated by APDC's, would replace the local approach which has now become antiquated and obsolete.

In order to be of the greatest service to their member governments, area planning and development commissions are making a cocnerted effort to become more closely coordinated with state government. They are presently realining their boundaries, making them coterminous with the boundaries of major Georgia State Department districts. The purpose of this massive change is to create a closer working relationship between area commissions and State agencies, and to insure that area and local plans coincide with those of the State of Georgia. Districts whose boundaries are to be made coterminous with those of area commissions are health, highway, welfare, vocational education, and others. Once the mission is accomplished, all facets of State government will be concentrated in each separate district rather than in overlapping districts. This concentration will be much more conducive to meaningful regional plans and to the regional approach to government.

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*Page 702—Hearing III.

**Pages 876-877—Hearing III.

To reach optimum effectiveness, area planning and development districts first attempt to establish a rapport with local citizenry and to demonstrate an ability to function in behalf of the people. This relationship has already been accomplished. In general, all of the districts in Georgia have reached a point of local trust. This accomplishment should clear the way for many more programs of the type area commissions are now administering. In addition, the confidence which has been established will make possible even broader programs than those already in operation. Long-range plans include establishment of programs such as youth development programs, geared to developing the future community leaders of rural Georgia communities; circuit rider personnel management and city management personnel; and other similar services. With the rapport and confidence that we have today, the next few years will undoubtedly develop unused potential of planning and development districts to reshape the course of rural Georgia.

STATEMENT OF COL. MARTIN A. HAGERSTRAND, MEMBER, BOARD OF DIRECTORS, NATIONAL SERVICE TO REGIONAL COUNCILS, MUSKOGEE, OKLA.; AND RICHARD C. HARTMAN, DIRECTOR, NATIONAL SERVICE TO REGIONAL COUNCILS*

The most promising development in our federal system and for local communities, in the search for new mechanisms, is the regional council. Regional councils are areawide organizations which involve cities, counties, towns and often school districts within a total community. Their prime purpose is to increase communication, cooperation and coordination among local governments in planning and implementing programs to meet mutual challenges and problems. Each local government has the opportunity for full involvement in the policy-making and programming of the council.

Regional councils are *advisory* in nature and lack the normal governmental powers of taxation, regulation and direct operation of public facilities. Their purpose is to provide a forum for dialogue and joint decision-making within a regional context. Regional councils have no direct power to implement these decisions. They must rely on the elected representatives of member local governments to see that the decisions become a reality.

BASIC PROGRAMS

Regional councils operate through a planning/decisionmaking process, which includes essentially data collection, identification of area challenges, review of means to meet those challenges, adoption of a plan for action, and finally initiating the implementation of that action.

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*Pages 227–229 and 232—Hearing II.

A basic regional council program would fall into the following framework:

Regional programs to better meet the needs of people at the local level.

Regional planning and management in specific functional areas such as air pollution control, solid waste disposal, transportation, law enforcement, water quality, land use and settlement, manpower and economic development.

Relate functional planning in these areas to each other and to overall planning for the region.

Establish goals and priorities for the region.

Forum for communication among local governments.

Technical assistance and joint services for local governments, which provide economies of scale when carried out on a regional basis. Cooperative purchasing, regional training academies, regional jails and correction centers, and areawide solid waste disposal facilities. All of these projects save the taxpayers money when performed on a larger, regional scale.

Coordination and review of local government activities within the region to avoid duplication and overlap. It is poor economy for two adjacent jurisdictions to build new crime labs, when they can pool their resources and have a better facility at a lower cost to each.

GROWTH OF REGIONAL COUNCILS

Currently, there are about 560 regional councils in the United States. These councils involve 80 percent of the nation's population and 55 percent of its land area. Fifty-five percent are in metropolitan regions; 45 per cent are located in nonmetropolitan, less densely populated areas.

Only 10 per cent of existing regional councils were formed prior to 1960. The bulk, 60 per cent, have been created since 1966. The rapid growth of regional councils in the last four years is due to two basic reasons: (1) Stimulation from the federal government in terms of legislative and administrative requirements for federal aid. (2) An increasing awareness on the part of local governments that there is a need for regional cooperation and new solutions to domestic problems.

FUNDING

The typical budget of a regional council is between $100,000–$200,000. Councils receive their funds from three basic sources: federal, state and local governments.

On the average, councils receive 60 per cent of their funds from federal grants for functional planning (i.e., land use, transportation, housing, etc.). Local communities provide about 34 percent of a council's funds, usually on a per capita basis.

About 15 state governments provide general support funds to regional councils. These general support funds are not earmarked for any specific program; the funds are used to encourage a regional approach to problem solving. General state support amounts to about five per cent of a council's budget.

The final one per cent comes from miscellaneous private sources, such as foundations.

The total expenditure for all regional council efforts is about $80–$100 million a year. This would only purchase about four 747 jet airplanes. A small price, considering that we are forming a foundation for better, more responsive local government.

Any legislation which is predicated on the need for rural development should encourage multijurisdicional cooperation to assure that the coordination of State and local governmental decisions are undertaken through a process of planning and management at the regional scale.

Inherent in this proposal also is the necessity to have the Federal Government react to such regional agencies on a unified and consistent basis. Currently, many Federal programs encourage fragmentation of government at the regional level. Our proposal suggests that the Federal Government should defer to organizations of general purpose local government—regional councils—acting primarily through their elected officials, as the central agency for all regional developmental activity required under Federal law or administrative regulations. It is not enough for regional agencies to only have a part of the action.

If you ask them to deal with problems of transportation but not those concerning the delivery of health services, and if you ask them to deal with problems of economic development but not those of solid waste disposal, they will be completely unable to address themselves to the total developmental issues confronting their region and their local government.

In our opinion, only through strengthening the capacity of our units of State and local government to deal with these significant problems of urban and rural development can we make federalism work.

JACK WILLIAMS, GOVERNOR OF ARIZONA*

These factors and others (rural out-migration and urban in-migration) have convinced us that there is a need for two separate but related programs of economic planning and development—one for the perfectly valid but the particular requirements of the metropolitan centers of the state, another for the valid but special requirements of the tweleve non-metro counties of Arizona.

DR. BARTON A. WESTERLUND, DIRECTOR, INDUSTRIAL RESEARCH AND EXTENSION CENTER, UNIVERSITY OF ARKANSAS**

A regional action planning program for economic development requires clear organization and separation of functions. The Commission should provide leadership and not get bogged down in administration. It should request congressional appropriations aimed solely at raising productivity of the private economy. More Federal funds for public works and all manner of existing programs should be sought and coordinated by the Federal co-chairman; and Federal grant applications should be handled by the new planning staffs of the multicounty economic development districts.

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*Page 66—Hearing I.
**Page 72—Hearing I.

Gov. Forrest Anderson of Montana*

In 1969 the Montana Department of Planning and Economic Development was a very small operation. Since that time it has been substantially expanded in an effort to solve our economic problems.

Because planning on any extensive basis has had a relatively short life span in Montana, we lack experience in this field.

The Department of Planning and Economic Development has now encountered funding problems with the state legislature due to the difficulty of demonstrating the immediate effects of planning.

Dr. J. C. Evans, Vice President for Extension, Oklahoma State University, Okla.**

Senator Curtis. Dr. Evans, should this committee encourage every village and small town in the country in the hope that they might have a very substantial growth possibility?

Dr. Evans. I do not think so.

Senator Curtis. I am glad to hear you say that because certainly I think one of the cruelest things to be done and, of course, it would be done unintentionally, is to hold out that hope.

We have in my State, for instance, some counties that just happen to be situated where the principal town is the county seat and they have a capacity there to do certain things. I can think of a few counties where they may have, say, four towns, all of which are under a thousand.

What would you suggest, they help each other or have a county or regional effort, or what do you think the solution is?

Dr. Evans. I will tell you what we do in Oklahoma, and I do not know whether it would work in Nebraska or not, but our feeling is that, you know, if a project of some kind can be handled by that community, there is not much point in getting other communities involved, but if you get involved in one that takes a population base of 10,000 people, a situation like you are talking about, you better try to assemble in some fashion 10,000 people and get them to see that it takes a population base like that to support, let's say, a hospital, assuming that figure is anywhere near in the ball park.

There is no point in each community trying to provide its own hospital if it has no chance of doing anything of significance and of the kind that people want and need today. You say it is wrong, it is very wrong. We do not engage in it. We simply try to get those communities to recognize what are the minimal requirements to succeed with a school system or a hospital system or whatever it is.

Senator Curtis. By the same token, no one in government should ever say to any one of them, you do not have the capacity to grow because something might happen there tomorrow, with the genius that is right in the community.

Dr. Evans. Right. This is entirely possible.

I would simply say, for example, we have a number of counties I pointed out that have lost 50, 60, 70 percent of their population, down to 4, 5, 6,000 now. I think there are some fundamental questions to be raised here and these are not popular questions to be raised. I think we as educators and university people need to raise those, to get people to thinking about it.

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*Page 112—Hearing I.

**Page 27—Hearing V.

STATEMENT OF BEN H. STORY, JR., LEXINGTON, KY.*

STATE ACTION TOWARD ESTABLISHMENT OF SUB-STATE DISTRICTS

The enclosed summary is part of a Council of State Governments study of state experience in implementing the Intergovernmental Cooperation Act of 1968. The study, funded by the U.S. Department of Housing and Urban Development, reports upon recurring problems in implementation of the Act, and offers recommendations for federal, state, and local action toward overcoming them.

State action toward establishment of sub-state districts is clearly associated with effective implementation of the Act. The project notification and review system, established by OMB Circular A–95, provides a useful management tool for state and local elected officials. Maximum effectiveness depends upon the development of a coordinative planning process at state and areawide levels and subsequent linkage of that process with the clearinghouse function.

The enclosed report summarizes state action toward establishment of sub-state areawide planning and development districts, which provide the planning capability necessary to the A–95 project notification and review system.

REGION I

Connecticut

Connecticut has adopted a system of fifteen sub-state planning districts. Since July 1969, responsibility for delineation or redelineation of Connecticut's district boundaries has been located in the Office of State Planning, Department of Finance and Control. (Public Act 628 of 1969.)

District organizations, called Regional Planning Agencies, are formed at local initiative under Chapter 127, General Statutes. Thirteen agencies are presently staffed and operational. Connecticut Statutes also allow for the formation of regional councils of elected officials within the district boundaries.

State support to the Regional Planning Agencies is by regular appropriation and provision of technical assistance.

A–95 Clearinghouse review is carried out by the Regional Planning Agencies except for those which fall within the jurisdiction of the Tri-State Transportation Commission. The five Regional Planning Agencies within the Commission area are involved in the review process, but the Commission is the official clearinghouse.

Federally initiated sub-state programs generally conform to Connecticut's district delineation.

Maine

The official designation of sub-districts in Maine is based on PL 1969, Chapter 382, Section 5, which gives the Governor of Maine authority to designate official regional planning and development districts. This law also requires that the Governor, before establishing such boundaries, shall obtain through the State Planning Office all relevant information related to this task and afford all parties affected adequate notice and an opportunity to present their views. The Governor may, after consultation with the State Planning Office, revise the designation of districts to reflect changing conditions or otherwise to fulfill the purposes of this law.

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*Pages 504–516—Hearing IV.

The State Planning Office has established eight tentative official regional planning districts for the state. The eight major drainage basins in Maine serve as the framework for designation of its official planning districts. These districts will be large in size but small in number so that they can encompass as many environmental and development problems as possible. Environmental protection will be a major consideration in the designation of these official districts. The eight tentative districts are now being reviewed with regional planning directors, municipal officials, state agency heads and federal agencies. Formal and detailed recommendations will be submitted to the Governor for his action, and designation is expected by mid-1971.

Although only two metropolitan districts have the A–95 review process at present, all official regional planning districts will eventually possess such functions.

In addition, they will perform the following four major functions:

(1) Comprehensive regional planning and areawide review authority for federal, state and local programs and projects.

(2) Serve as a governmental home for various federal, state and local development activities such as OEO, EDA, Regional Water Resources Planning and Control and Social Planning and Development.

(3) Act as a vehicle for the stimulation and performance of governmental functions on an areawide basis thorugh councils of governments or other cooperative arrangements.

(4) Serve as an agency to receive and administer federal funds for regional organizations and inter-governmental cooperation on common areawide problems.

Massachusetts

Sub-state districting is undergoing change in Massachusetts. The state presently utilizes a set of twelve planning and development districts. The districts were established under several pieces of legislation over a period of several years. Three districts were established by special legislation at state initiative (Dukes Co., Old Colony, and MAPC); two under special legislation at local initiative (Cape Cod and Franklin Co.); one (SE Mass.) by state initiative under a general enabling statute; and the remaining six by local initiative under the same enabling legislation (Chapter 40B General Laws 1955 as amended in 1964).

These twelve districts, which include 99 percent of the state population, are primarily utilized for regional planning and development purposes and are supported by state appropriations, the provision of technical advisors by the state and federal funds under the HUD 701 program and other federal sources.

In all cases, they are public bodies and must have a professional staff. The percent of public official participation varies with the legislation under which the district was organized. All twelve districts serve as A–95 Clearinghouses, one is an EDD, and several coincide with LEAAs.

Massachusetts is currently adopting a new set of eight administrative districts. The change is required under administrative bulletin 65 (as amended).

The major accent under the new eight region arrangement will be upon provision of:

(1) administrative districts for state departments;
(2) groupings of service delivery areas; and
(3) geographic areas for program planning coordination both within and between state agencies and different levels of government.

Federal programs administered on a sub-state basis will be brought into conformance as the districts are made operational.

New Hampshire

Seventeen sub-state districts were designated by executive order December 26, 1968. These are currently utilized for both planning and administration purposes. Four are currently staffed and operational and five others are nearly ready to begin functioning. Districts are supported by the provision of state staff assistance and through state administered 701 planning assistance grants. District organizations are essentially regional planning commissions established under state enabling legislation, with members nominated by the planning board of each municipality and appointed by the municipal officers.

Rhode Island

Rhode Island has determined that the development of a system of sub-state districts is unwarranted at the present time. State officials cite Rhode Island's small size and relative economic and social homogeneity as the primary factors in the decision.

Vermont

Sub-state districting in Vermont is currently undergoing change. At present, the state has fourteen sub-state areas sanctioned under Chapter 24, Vermont Statutes annotated. These areas provide a basis for the establishment of areawide planning organizations. District organizations are Regional Planning Commissions and membership by a municipality is voluntary. Members are appointed by participating municipalities with no requirement for elected officials. Professional staff is encouraged, and staffing is supported by regular state appropriation. Under the existing arrangement, the districts serve as A–95 Clearinghouses.

Vermont is in the process of revising district boundaries for planing and administrative processes. The Advisory Committee on Administrative Coordination has recommended that a set of seven substate districts for regional planning and state administrative processes be established. These districts will also be established for coordinating federal activities.

Legislation to implement the recommendations of the Advisory Committee on Administrative Coordination is now before the 1971 session of the Vermont General Assembly. It is expected that the bills will be enacted into law.

REGION II

New York

New York state has established eleven comprehensive planning and development regions. These are utilized for local planning efforts and provide an areawide focus for functional planning by state agencies. Delineation of boundaries was originally carried out by the New York State Office of Planning Coordination in consultation with the various state departments and agencies and local governments. The regions were then declared by Executive Order #44 as the official comprehensive planning and development regions of New York state. Regional organizations have been established at local initiative under Article 5–G and/or Section 239–b of the state's General Municipal Law. These sections enable multi-jurisdictional planning bodies and interlocal cooperation. All regional agencies are public bodies, and professional staffing is a prerequisite for state support.

State support is provided by state matching of federal planning assistance funds, state functional planning funds, and provision of technical and staff assistance.

Federal programs administered on a sub-state level utilize New York's regional boundaries, and regional boards have been designated as A–95 Clearinghouses in ten of the eleven regions.

New York's accent in sub-state districting has been upon supporting local initiative. The Governor's executive order requires state agencies to utilize regional boundaries in their functional planning activities unless it is feasible for them to do so. The order also requires state agencies to review the extent to which their administrative operations might conform to the same regional boundaries.

New Jersey

New Jersey has not designated sub-state districts. Sixteen of New Jersey's twenty-one counties are metropolitan and participate in metropolitan areawide planning bodies. The remaining five counties are not contiguous and each is considered an areawide planning unit. Each serves, as well, as a non metropolitan A–95 Clearinghouse.

REGION III

Delaware

Because of its small size and relative social and economic homogeneity, Delaware has not undertaken a sub-state districting system.

The state clearinghouse carries out A–95 review of non-metropolitan areas of the state.

Maryland

A statewide system of officially designated sub-state districts does not yet exist in Maryland. At present, the state utilizes an incomplete set of sub-state units created incrementally and for varied purposes. Now in existence are two councils of government, two regional planning councils, sections of multistate planning and development agencies and a council on Appalachian Maryland created by executive order.

Maryland is moving incrementally toward adoption of a system of seven officially designated districts and delineation is complete. Formal adoption of the system is expected to be accomplished by executive order. A–95 review for non-metropolitan districts is carried out by the Maryland Department of State Planning.

Pennsylvania

Pennsylvania has a long standing tradition of sub-state organization, although, at present, no single set of districts has been officially designated for general use. Since definition of thirteen state planning regions in 1964, a variety of activities have been carried out on a sub-state, multicounty basis. In 1968, six Human Service Regions were adopted by gubernatorial action as a framework for the administration of nine major state programs.

Ten regional planning and development organizations are now operating within Pennsylvania, six of which are outgrowths of the Appalachia program.

Pennsylvania's basic regional policy is currently undergoing extensive reexamination. Among other things, a uniform system of ten districts is being proposed as a basis for unifying the fragmented districting situation now existent in the Commonwealth.

Virginia

A statewide system of sub-state districts was mandated by the General Assembly in July 1968, when the Virginia Area Development Act became law.

Twenty-two planning districts were delineated July 1969 by the Division of State Planning and Community Affairs. Local governments in a planning district may organize a planning district commission (PDC), but participation is voluntary. Planning district commissions have been organized and staffed in nineteen districts which encompass 93 percent of the state's population.

PDCs are public bodies supported by regular state appropriations which currently total 750,000 dollars per year. To be eligible for state grants a commission must have employed a professional staff. The state also provides technical assistance to districts.

PDCs engage in areawide intergovernmental planning and coordination of planning efforts at the local level. Their policy making bodies must have a majority of elected officials with at least one from each member jurisdiction.

Virginia has encouraged federal agencies to focus administration of their programs through PDCs. Six PDCs are local development districts. Five are economic development districts.

Combinations of PDCs has been designated as air quality control regions and they are also designated as both metropolitan and non-metropolitan 701 comprehensive planning agencies. They also have responsibility for A-95 review.

Several state agencies have voluntarily realigned administrative districts to coincide with PDC boundaries. In addition, an executive order is being considered which will bring about the realignment of most other state administrative districts to coincide with PDC boundaries.

West Virginia

At present, West Virginia does not have officially established sub-state districts. The state has utilized an eleven region pattern established in 1969 under the Appalachian Redevelopment Act as an ad hoc basis for areawide planning.

Legislation introduced in the 1971 legislature would enable the establishment of a system of multi-purpose, sub-state districts. Under the proposed legislation, delineation would take place within a specific time period from passage. Organizational and functional characteristics of the district organizations are included in the pending bill which accents achievement of uniformity in federal program administration and coordination of local planning and development activities.

REGION IV

Alabama

Sub-state districting was mandated by Act 1126 of 1969. Executive Order #24 (July 1970) designated eight planning and development districts. Under Act 1126, regional planning and development commissions may be established within the designated districts through the exercise of local initiative. Regional commissions must include at least three contiguous counties and more than one may exist within a district. There are presently nine commissions covering all of six districts.

District boundaries provide a common geographic basis for state planning and programming, uniform alignment of federally initiated sub-state programs, and areawide coordination of local planning. Regional commissions serve as A–95 Clearinghouses where they have sufficient staff capability.

Florida

State action in establishing sub-state districts has been minimal. A 1968 resolution of the Florida State Planning and Budget Commission recommended a set of uniform districts as a guideline for local initiative. Further action has been limited, however, and the official status of the district pattern has become ambiguous due to subsequent governmental reorganization and a change of adminisration. Multi-jurisdictional areawide planning is carried out in metropolitan areas by regional planning commissions enabled under Chapter 160, Florida Statutes or by special local act.

Georgia

Sub-state districts are an integral part of Georgia's planning structure. There are presently nineteen such bodies, formed at local initiative under Georgia's General Planning Enabling Act of 1957 (as amended), Georgia Act 1066, of 1970, and Georgia Act 5, of 1971 which relates only to Metropolitan Atlanta.

The nineteen districts, called Area Planning and Development Commissions, form a statewide network. These are supported by a regular state appropriation based on a matching formula which allows up to $65,000 annually to each Planning and Development Commission.

All district commissions are public bodies and the proportion of elected official representation is locally determined. All nineteen Area Planning and Development Commissions are in full operation with professional staffs.

While the focus of Georgia's Area Planning and Development Commissions has been upon developing and coordinating areawide multi-jurisdictional planning, they also serve as a basis for coordination of federal assisted sub-state programs. All nineteen districts have been officially designated as A–95 Clearing houses, twelve are Economic Development District, six serve as local Development Districts for Appalachia. In addition, all nineteen are "701" agencies and are responsible for Law Enforcement Assistance Planning. Several districts serve as Comprehensive Health Planning Areas and the boundaries of several districts are coterminous with those of Community Action Agencies.

While several of Georgia's state agencies are utilizing the district boundaries, the state is currently reviewing all existnig sub-state districts to place a greater emphasis on a uniform set of districts for planning and program administration activities at the local, state, and federal levels.

Kentucky

Executive Order 67–233 established fifteen multi-purpose Area Development Districts for Kentucky. At present, twelve districts, are organized, staffed, and operating.

State assistance is provided by state matching of federal planning assistance funds and provision of planning and programming assistance on request. Organizational requirements are administrative and are prerequisities for state assistance. Executive Order 69–653 designated the organized districts as A–95 Clearinghouses.

At present, twelve districts serve as "701" agencies, seven as Economic Development Districts, and five as Local Development Districts. All are utilized as Comprehensive Health Planning Areas. All state agencies are instructed to recognize the district delineation as the basis for administration of state programs.

Mississippi

Mississippi has a system of ten sub-state planning and development districts, with all eighty-two counties participating. Seven of these districts receive as their primary source of support planning grants from the Economoic Development Administration. Three districts are funded by the Appalachian Regional Commission.

The ten districts serve as A–95 Regional Clearinghouses for federal programs, working with the Coordinator of Federal-State Programs, Office of the Governor, as the state clearinghouse and the coordinating state agency for the districts.

Seven of the districts have been designated as Economic Development Districts by the Economic Development Administration, and the three Appalachian Local Development Districts have been authorized for designation as economic development districts.

Matching funds for district administration are provided through tax revenues from the counties under Section 2911.3 and Sections 2890.5–01 through 2890.5–08, Mississippi Code of 1942, Recompiled.

Certain of Mississippi's planning and development districts serve as housing authorities, engage in manpower training, administer programs for the aging, and administer 701 comprehensive planning assistance programs, and all of the districts provide a broad range of other technical assistance and planning services for local governments within their boundaries.

The districts receive no direct state appropriations at this time, but state plans call for legislation establishing a uniform structure for the districts along with regular financial support.

Both state and federal agencies are increasingly relying upon these districts for sub-state planning and development purposes.

North Carolina

Seventeen multi-jurisdictional planning regions were designated by Executive Order #3 in May, 1970. State responsibility for encouraging multi-jurisdictional planning is mandated in Section 143-341(6): North Carolina General Statutes (as amended in 1969).

Some form of organization exists in all but one of the seventeen districts, although they do not in each instance utilize state delineated boundaries exactly. Recently established agencies have organized through local initiative under general state statutes enabling councils of governments or other interlocal cooperative arrangements. There is, therefore, no single predominant organization structure at present. The state encourages structures which are closely linked to local governments. Organizations of city and county officials have encouraged council of governments.

State support is provided through staff and technical assistance, and the fiscal 1972 budget will, if approved, provide a state appropriation to assist regional organizations.

Motion toward alinement of federally initiated sub-state programs is underway. Comprehensive Health Planning Areas approach complete alignment and Law Enforcement Assistance Areas are completely aligned. Economic Development Districts and Local Development Districts are undergoing realignment in to the district pattern. Four multi-county regions have been designated as A-95 Regional Clearinghouses. Three additional regions have been designated as regional clearinghouses on an interim basis. State agencies are adopting the delineation at present. To the extent that can be determined, federal agencies are also conforming to the multi-county alignments.

South Carolina

The official delineation of ten multi-purpose sub-state districts was adopted by executive ordder in March 1969. Planning and development organizations have been formed in all of the ten districts. These organizations are created at local initiative and can be councils of governments or regional planning commissions. All are public bodies and exist in form and function pursuant to the state's comprehensive planning and zoning Enabling Legislation Act 487 of 1967.

The ten planning and development organizations are provided state staff and technical assistance on a regular basis. State financial support is anticipated on a formula basis in fiscal year 1973. The planning organizations serve as A-95 Clearinghouses. All receive "701" assistance; law enforcement assistance, and outdoor recreation, historical preservation, highway safety, transportation, and water and sewer funds.

Other uses of the official district delineation are areawide health planning and cooperative area manpower planning. One district is a local development district, four are economic development districts, and four resource conservation and development districts. Two districts have been selected as "pilot" areas by the South Carolina rural development committee. Community action agency use of the official pattern is beginning to emerge.

Seventeen state agencies utilize the official sub-state districts as geographic basis for the planning and delivery of state programs.

Tennessee

Executive Order No. 17 of 1968 designated eight planning and development regions for Tennessee. A subsequent amendment added a ninth. The districts are multi-purpose, but focus upon planning for economic development.

Six of the districts, covering sixty-eight percent of the population, are organized under the provisions of Chapter 13–1401 through 13–1411, Tennessee Code Annotated. State support in offered through a regular appropriation (matching funds to a maximum of 25,000 dollars), and provision of coordination with state agencies.

Districts are required to be public bodies and have an approved work program in order to receive state support.

Federal initiated sub-state programs are largely in alignment with the district delineation, and numerous state agencies utilize the districts as geographic bases for functional planning and delivery of state programs.

REGION V

Illinois

As of December 31, 1970, Illinois had not carried out a substate districting process. In early 1971, however, the state undertook an effort to establish a two-tiered system of districts focused initially, upon creation of uniform areas for administration of state programs. The proposal includes a first tier of large regions for state purposes and, ultimately, a second tier of smaller sub-regions for regional planning and administration of federal sub-state programs.

Formal adoption of the system is expected to have been accomplished by executive order by April 15, 1971.

Indiana

Executive Order 18–68 designated fourteen multi-county planning and development regions. The order urges recognition and adoption of the regions by state agencies and establishes the Indiana Division of Planning as the administrating agency. Seven state agencies currently utilize the boundaries.

At present, none of the state designated districts have organized, and federal sub-state program administration is only partially in conformance with regional boundaries. A proposal for a statewide network of regional planning agencies is currently under consideration by the Indiana Legislature. A number of councils of government are in existence under general state statutes for interlocal cooperation.

Michigan

Thirteen state planning and development regions covering the entire state are officially designated by executive directive. The directive requires conformance where possible by state agencies in functional planning and delivery of governmental services. While Michigan's emphasis to date has been upon utilization of regional boundaries for state administration, delineation was designed to support the evolution of a uniform system of multi-purpose, sub-state units.

Michigan Statutes enable establishment of multi-county regional planning commissions and economic development commissions upon local initiative. Sub-state organizations presently include two councils of governments, two metropolitan area regional planning commissions and six organizations which combine the characteristics of regional planning commissions and economic development commissions under Michigan's Enabling Statutes.

The state does not yet provide financial support to sub-state regions and a uniform comprehensive planning capability does not yet exist within the regional boundaries.

Administration of federally initiated sub-state programs does not generally conform to the state regional delineation pattern.

Minnesota

State action toward establishment of sub-state districts has progressed rapidly in Minnesota since 1969. Under Chapter 1122, 1969 Minnesota Laws, the Governor in his role as State Planning Officer, is empowered to designate sub-state "development regions."

Executive Order #37 (4/3/69) established a system of eleven such regions to be utilized for multi-jurisdictional regional planning, and for administration of federally initiated sub-state programs. Executive Order #60 (4/70) and a subsequent amendment (12/70) realigned the original pattern slightly. Under the amendment to Executive Order #60, one region was divided into two. The resulting twelve district pattern will be adopted in final form upon petition for Regional Development Commissions by the newly created regions.

Under Chapter 1122, regional organizations are public bodies and are supported by the state through ad hoc appropriations and provision of technical and staff assistance. One Regional Development Commission has organized under the chapter provisions and a second is expected to do so in 1971.

One additional region is organized under the legislation establishing the Twin Cities Metropolitan Council and is unique in its relationship to state and local governments.

Compliance by federal agencies administering sub-state programs is expected to follow finalization of the districting pattern. Districts, once organized and carrying out regional planning, will be designated as A–95 Clearinghouses.

Ohio

Ohio has not yet undertaken official state designation of a uniform set of sub-state districts. The existing structure is based upon ad hoc arrangements of councils of government and regional planning commissions. These agencies carry out areawide planning and, in metropolitan areas, serve as A–95 Clearinghouses.

State support to sub-state organizations is currently limited to provisions of "regional advisors" and technical assistance.

The state is currently studying a proposal for the establishment of a two-tiered system of multi-purpose districts and enabling legislation (House Bill #26) was introduced in the 1971 legislature.

Wisconsin

Executive Order #22 (August 1970) designated a set of eight substate districts in Wisconsin. The districts are multi-purpose; serving as geographic units for planning and delivery of state programs, coordination of local planning efforts, and uniform alignment of federally initiated sub-state programs.

Eight regional planning commissions enabled under Section 66.945 existed prior to official district delineation and are encouraged to conform over time to the state initiated boundaries. At present, the jurisdictions of three commissions are in or near complete alignment.

Federal program conformance is presently incomplete, but motion toward alignment is underway. Districts will be designated A–95 Clearinghouses as organization progresses.

Eight major state agencies (comprising the governor's working cabinet) are required by Executive Order #22 to conform to the district pattern.

REGION VI

Iowa

Iowa established a set of sixteen sub-state districts by Executive Order #11 of 1967. The district concept has not been actively utilized, however, until recently. There are no officially recognized district organizations at present, but Iowa is undertaking a program to invigorate its district system.

District organization will be in accordance with Iowa's Joint Exercise of Power Statutes and state support will be in the form of staff and technical assistance. State planning officials are exploring the possibility of state funding to a model district, and are seeking packaging of federal planning funds to support staff for district organizations.

Kansas

A set of eleven multi-purpose sub-state districts were designated in February 1971 by executive order. District organizations will be regional planning commissions enabled by Kansas Statutes Annotated, 1969 Supp. Ch. 12–716.

State support is provided in the form of staff and technical assistance upon request. At present, two districts have organized and have some staff capacity. District commissions will be designated as A–95 Clearinghouses as sufficient staff capacity is reached.

Missouri

Missouri established twenty sub-state districts by executive order in 1967. The order, issued under authority of Ch. 251, CRSMo, 1967 Supp., recognizes Missouri's twenty multi-purpose sub-state districts as necessary to effective coordination of local planning efforts, and encourages state agencies to utilize them in planning and delivery of state grant programs.

All twenty districts are organized and staffed at present. State support is offered by provision of staff and technical assistance. District organizations are called Regional Planning Commissions, but are composed of elected officials. All are public bodies.

Federally initiated sub-state programs are in satisfactory conformance with the district patterns, and all district commissions (6 metropolitan and 14 nonmetropolitan) serve as A–95 Clearinghouses.

Nebraska

Nebraska utilizes a set of twenty-six multi-purpose sub-state districts. These were established by gubernatorial action on authority of Legislative Bill 536 (1969). District organizations are formed under Nebraska's Interlocal Cooperation Act (Ch. 22–2201 through 23–2207 Neb. Rev. Stat.). All are public bodies.

At present, four districts have organized. Three are metropolitan and one nonmetropolitan. State support can be offered by a regular formula appropriation, state matching of certain federal program funds, and provision of technical and staff assistance on a regular basis.

Compliance with the district pattern by state and federal agencies is excellent. Both Comprehensive Health Planning Areas and Law Enforcement Assistance Areas are in complete conformance.

The four organized districts have been designated to serve as A–95 Clearinghouses. The remaining districts will be designated upon organization and achievement of a sufficient planning capability.

REGION VII

Arkansas

Arkansas utilizes a system of eight sub-state districts. Six are metropolitan areawide Regional Planning Commissions or councils of governments enabled under Act 26, 1955. All eight are Economic Development Districts enabled and designated by Act 118, 1969. The district system was established for coordination of local planning and development activities, and as a basis for uniform alignment of federally initiated sub-state programs.

State support for the eight Economic Development Districts is by regular appropriation and provision of technical and staff assistance upon request.

The six metropolitan areawide agencies are organized in accordance with HUD requirements, while the eight Economic Development Districts must organize in accordance with Act 118 in order to receive state support. The act requires that the EDDs be public bodies, composed of a majority of elected officials. Professional staff is a condition of assistance.

All eight districts have been designated as A–95 Clearinghouses and receive funding as "701" Comprehensive Planning Agencies. Seven are Comprehensive Health Planning Areas and the boundaries of Arkansas' two Resource Conservation and Development Districts are coterminous with district boundaries.

Louisiana

Eight sub-state districts were established by administrative action in 1970 under authority of Act 288 of 1968. These districts provide a geographic basis for statewide planinng efforts, A–95 review and comment procedures, and uniform alignment of federally initiated substate programs.

Development of district organizations is underway. The districts were formed in parallel with existing Economic Development Districts and an EDD staff exists within each. Metropolitan areas within the districts have established regional planning commissions within their boundaries, and each district has a district A–95 Clearinghouse board composed of state and local elected officials and representatives of several public bodies.

Federally initiated sub-state programs are reported in satisfactory conformance with the district boundaries. State support to the districts is provided in the form of staff and technical assistance upon request.

New Mexico

A system of six sub-state districts was adopted by Executive Order No. 1 in January 1969. District organizations are formed at local initiative under New Mexico's Joint Exercise of Powers Statute (Art. 22, Sec. 4–22–1 through Sec. 4–22–7), or under a specific statute enabling establishment of a regional planning commission. Two districts, one metropolitan council of governments and one Economic Development District, have formed.

State support is provided in the form of staff and technical assistance, but alternate proposals are before the 1971 legislature. One proposal would provide a regular appropriation to district organizations, and another would allow district boards to exercise taxing power.

Federally initiated sub-state programs generally conform to the district delineation. A–95 review and comment is carried out by the two existing district organizations.

State agencies are directed to utilize the delineated pattern in planning and delivery of state programs.

Oklahoma

Oklahoma has utilized a system of eleven sub-state districts since June, 1968. Senate Bill 290 of 1969 established legislative authority for state action toward further organizing the system. The eleven districts were formed on the basis of existing Economic Development Districts and eight are organized and functioning.

In the absence of specific statutory requirements for district organization, Oklahoma's district organizations are formed in accordance with Economic Development District guidelines. State support is offered through matching of federal planning assistance funds and by provision of staff and technical assistance.

On January 15, 1971, administrative action was taken under S.B. 290 to realign the districts. The current system grants to seven counties the option of shifting their membership between adjacent state districts for particular federal programs.

Federally initiated sub-state programs are moving satisfactorily toward conformance with the delineation as are Oklahoma's state agencies. The districts are seen as multi-purpose and are intended to provide a basis for coordination of local planning, uniform alignment of federally initiated sub-state programs, and administration of state programs.

Texas

Texas' system of twenty-one sub-state planning regions is among the most highly developed in the nation. Regional boundary delineation was accomplished by Official Memorandum (executive order) in December 1968 to provide standardization of boundaries for local, state, and federal sub-state activities. District organizations, called Regional Councils, are established at local initiative under Article 1011m V.A.C.S., as amended, to carry out planning and development activities with the standardized boundaries.

There are twenty-three Regional Councils within the twenty-one districts (three districts have two councils serving separate geographic areas, and one district is being organized). Regional Councils must have at least a majority of elected officials as members in order to receive state assistance. All are public bodies.

Assistance is by regular, formula appropriation; provision of certain state functional planning funds, and staff and technical support when requested. Professional staff is an additional requirement for state assistance.

All Regional Councils serve as A–95 Clearinghouses, Law Enforcement Assistance Areas, and metropolitan or non-metropolitan "701" Comprehensive Planning Agencies. Six Economic Development Districts are coterminous as are four Comprehensive Health Planning Areas.

All major state agencies utilize the Regional Councils in the development of their plans and programs. Eight utilize the district boundaries or combinations in delivery of services.

REGION VIII

Colorado

Colorado has not designated sub-state districts by legislative or gubernatorial action. A set of twelve districts has been established, however, by the Colorado State Planning Office. These districts are utilized for coordination of local planning. Two of the twelve have established areawide organizations under statutes enabling multi-jurisdictional planning.

State support is in the form of staff planning advisory service and matching of federal planning funds.

Montana

Montana has not yet adopted sub-state districts. A proposed delineation pattern would establish a set of twelve multi-county regions for use by all state agencies.

North Dakota

Executive Order No. 49, issued in September 1969, established eight sub-state districts for planning and administration of state services. Multi-jurisdictional organization within the districts is guided by North Dakota general statutes enabling interlocal cooperation (Chapter 11–35, North Century Code). At present, no district has a staffed organization covering all or most of its area. Insofar as sub-state districts are focused upon delivery of state government services, however, organization has not become an issue in North Dakota.

No regional A–95 Clearinghouses have been designated, and boundary conformance by federally initiated sub-state programs is varied.

The North Dakota Departments of Health and Public Welfare are now in compliance with the delineation pattern.

South Dakota

South Dakota established a network of six sub-state districts by executive order in December, 1970. The districts form the geographic basis of multi-purpose organizations for coordination of local planning, uniform alignment of federally initiated sub-state programs, and administration of state agency activities.

At present, one district has an organization which covers most of its territory. The remaining organizations will be formed at local initiative under general statutes enabling multi-jurisdictional planning.

State support to the districts is offered in the form of staff and technical assistance.

Federally initiated sub-state programs are in a high degree of conformance with South Dakota's district pattern. At present, CAMPS, LEAA, CHP and CAA programs are in complete alignment, and others are moving toward conformance.

All state agencies are required to utilize the pattern under the executive order and South Dakota reports excellent progress at all levels.

Utah

Sub-state districts were initially established by executive order in May 1970. The order established eight districts and encouraged formation of multi-county associations of governments composed of elected officials, and organized under Utah's Interlocal Cooperation Act of 1965. Legislation passed in the 1971 session gave legislative recognition to the sub-state pattern. Eight districts are established as multi-purpose bodies for coordination of local planning, uniform alinement of federally initiated sub-state programs and planning and administration of state agency activities.

At present, state support is in the form of staff and technical assistance. A regular state appropriation will become effective on July 1, 1971. Regular assistance is conditioned upon district organizational conformance with guidelines prepared by the Utah Department of Community Affairs.

Federal programs are moving toward compliance with Utah's districts. Two serve as non-metropolitan regional clearinghouses under A-95, and the remainder will be designated when sufficient staff capability is reached. Both Utah's two Economic Development Districts and two Comprehensive Health Planning Areas conform and all eight sub-state districts serve as Law Enforcement Assistance Areas. Utah has three "701" districts, two metropolitan and one non-metropolitan. All are in conformance with one of the metropolitan "701" districts covering two state districts.

With the exception of Education and Natural Resources, planning and delivery of services by state agencies will be in accordance with the district alignment by the end of 1971.

Wyoming

Wyoming does not utilize sub-state districts and has no immediate plans to do so.

REGION IX

Arizona

Executive Order 70-2 established a system of six sub-state districts in Arizona. Two are metropolitan and the remaining four non-metropolitan. The districts are multi-purpose and are organized under Arizona Statutes Enabling Joint Exercise of Powers. State officials indicate that organization of all districts will be complete by July 1, 1971. State agencies are moving toward adoption of the district delineation at present.

California

California has established nine sub-state districts for coordination of local planning and administration of federally initiated substate programs. In the absence of specific legislation enabling substate organizations, district bodies are established under California's Joint Exercise of Powers Statute and are voluntary in nature. Five of California's nine districts are presently organized. State support is offered in the form of matching funds for some federal programs.

Hawaii

Hawaii's system of government has precluded the need for substate districts. Each of Hawaii's four counties has a planning department and each of the Neighbor Island Counties (Hawaii, Maui, and Kauai) has an economic development agency.

The Department of Planning and Economic Development serves as the coordinator of all planning activities and is the state A-95 Clearinghouse. The Honolulu City Planning Department is the metropolitan clearinghouse for the County of Honolulu, the only metropolitan area in the state.

Nevada

Nevada does not utilize a statewide set of sub-state districts at present. There are currently four multi-jurisdictional planning agencies in existence: two metropolitan areawide bodies in the Reno and Las Vegas SMSAs, one multi-state agency (Lake Tahoe Regional Planning Agency—California/Nevada), and one multi-county economic development authority established under special enabling legislation. All were formed at local initiative and state support is limited to ad hoc matching of federal funds.

A sub-state districting proposal is being prepared for submission to the Governor early in 1971. The proposal would create a network of multi-purpose agencies throughout the state. Companion legislation would encourage formation of regional planning bodies under Nevada's Interlocal Cooperation Act, and would establish a program of state financial support to agencies so established.

REGION X

Alaska

Alaska has not adopted a system of sub-state districts.

Idaho

Idaho does not presently have a system of sub-state districts. A proposal currently under consideration would create a set of six multi-purpose districts by the end of 1971. Adoption would be by executive order.

Oregon

Oregon's system of sub-state districts is highly developed and provides a uniform basis for coordination of local planning, alignment of federally initiated sub-state programs, and planning and administration of state programs. The system was adopted by Executive Order No. 68-11 in 1968 (subsequently modified by Executive Order 01-170-3 in February, 1970). There are fourteen multipurpose districts in the Oregon system and thirteen have organized District Councils of Governments under Sections 190.003 through 190.110, Oregon Revised Statutes.

Oregon's system of District Councils provides a single focal point for multijurisdictional planning within each of the designated districts. They serve, as well, as the A-95 Regional Clearinghouses.

State support to the District Councils is by regular appropriation as well as through provision of technical and staff assistance. Councils are public bodies and must be composed of at least two-thirds elected officials (these must represent at least three-quarters of the aggregate population within the district).

Federally initiated sub-state programs are generally aligned with the district pattern and all state agencies are directed to utilize the boundaries.

Oregon's system includes flexibility in the coordination of local planning by allowing the formation of sub-district councils of governments. Where subgroupings of local governments within a delineated district experience specific commonality in problems or interests, they may form a council including less than the total jurisdictions in the district. Membership in a sub-council is maintained in addition to the district-wide council membership.

Washington

Thirteen sub-state districts were established by executive order in August 1969. Washington's district delineation was established to provide a common basis for planning and delivery of services by state agencies.

The establishment of areawide organization for coordination of local planning efforts has been encouraged by the state, but is dependent upon exercise of local initiative. Organization of an areawide planning body may be carried out in accordance with state statutes enabling Regional Planning Commission and councils of governments. Six such organizations have been established and are supported by technical assistance from the state.

Federally initiated sub-state programs are generally in satisfactory compliance and district organizations are designated A-95 Clearinghouses as they reach sufficient staff capacity.

CRISES IN AMERICAN AGRICULTURE

ALBERT T. EBERS, NEBRASKA STATE GRANGE, SEWARD, NEBRASKA*

I agree with Dr. Rex Daly that the trend today is toward larger farms in agriculture. Note, however, Dr. Daly did not say that size of farms would stabilize at 200,000 farms, and there is no valid reason they would.

But when I tried to find how such a small number of farms (200,000 farms) would effect rural America, the number of people living on farms and in towns and in small cities they support, I had to go back to a study in 1946 by Dr. Walter Goldschmidt, professor of anthropology and sociology at the University of California at Los Angeles. He studied two communities, Arvin and Dinuba, Calif. Many sociology professors in the State of Nebraska and in the Midwest, have no interest in studying the effects that fewer and larger farms will have on the economy and social life of rural America. They say, because number of farms and people on farms are declining, and because the trend to larger farms is irreversible, such a study is written off. Yet agriculture is growing and expanding in every other category. Because an automobile company increases production by installing automation, but employs fewer people it is not spoken of as declining, neither is agriculture declining.

Back to Dr. Goldschmidt's study of the two similar communities of Arvin and Dinuba, Calif. Arvin was in a large-scale farming community and Dinuba was in a family size farming community. The value of the agricultural production of both communities in 1946 was the same—$2½ million.

Arvin generated a $2,535,000 retail trade volume, whereas Dinuba generated $4,383,000 trade volume. A 61-percent margin in favor of the family-sized farm community. Why? Large scale farms receive volume discounts on large purchases of farm inputs, and receive premiums on volume sales. But most of these transactions are not in the local community. Whereas family farm units buy and sell mostly in the local community. The Arvin community supported 35 separate business establishments, whereas Dinuba had 62. Almost a 2-to-1 ratio in favor of the family-size farm community.

The Dinuba community supported 20 percent more local people than Arvin, and they enjoyed a higher standard of living.

In attributes associated with quality of living, Dinuba excelled greatly in physical facilities providing services such as sewers, water, sidewalks and in number of schools, parks, recreation, churches, civic organizations, et cetera.

After 25 years it is very interesting to read Victor K. Ray's appraisal of the two communities. A Mexican-American resident of Arvin described it as a town with a lot of shacks and old cars with Texas license plates. Even the rich 'irrigated,' land and vineyards in the country are dotted with poor houses and old cars. A businessman with an attractive office and owner of several businesses in Arvin said that in the 17 years he was there, Arvin changed for the worse. Arvin's population dropped from 6,200 to 5,400 an 800 decrease.

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*Pages 156, 157, and 158—Hearing V.

Dinuba looked prosperous, surrounded by neat well-cared for homes in the country. No empty stores. Its population increased from 7,400 to 8,000, a gain of 600.

Now, what will Dr. Daly's prediction of 200,000 farms probably mean to Nebraska. Dividing the present 3 million farms in the United States by 200,000 equals 15. Approximately 75,000 farms in Nebraska now divided by 15 would leave 5,000. My county in Nebraska is Seward County. The census of 1964 cited the number of commercial farms as 1,208 divided by 15 leaves 80 farms in Seward County. Figuring the gross income of 200,000 farms in the United States at $60 billion, each farm would average $300,000 gross. If this gross income were spent on a similar basis or ratio as in the Arvin, Calif. community then about $171,500 would be spent locally and $128,500 elsewhere—some in Nebraska, some outside. In Seward County this would mean over $10 million spent outside the county and less for local businessmen. Nebraska does not have very many factories making farm inputs so most of this money would go outside of the State. For Nebraska rural communities it would mean $642,500,000 leaving the State. For rural America it would mean $25,700 million leaving rural communities for cities.

In other words, large-scale farming develops cities, and by Arvin, Calif. standards leaves the rural areas a slum. Large-scale farming employs labor, and agriculture labor is unionizing now. Strikes at harvestime will be a part of future large-scale farming. Why should we exchange a family business enterprise system in agriculture where its livelihood depends on harvesting its crops, for such a hazardous system. And why should we exchange a small business farming system spending a gross income of $20,000 in the community, for a $6,000 yearly wage?

I would like to see a gradual increase in family farm size to incorporate the latest techniques in order to achieve maximum productivity, but would like to see some kind of a ceiling on size such as the North Dakota law which restricts size to a family actively operating the farm.

Today this would mean, again using Dr. Daly's projections of seven to eight hired men per farm on the 200,000 farms, about 1⅓ to 1½ million family farms.

There is no doubt that these family farms could produce all the food we need and export and more. There is no doubt they would harvest their crops. They would support communities of sufficient size to have schools, churches, recreation, social life, and culture that would attract people.

When one thinks of 200,000 farms still consolidating, merging, and the actual farm operation being done by union labor, and migrant labor in sparsely and ever more sparsely populated communities; who would want to live in such hinterlands for any salary? Why have a rural slum like Arvin, Calif. all over America? Why not have an attractive, viable quality of life in rural America like Dinuba, Calif.?

Two presidential study committees, one on urban problems, the other on rural affairs, both concluded that the migration of rural people to large cities has greatly intensified the insurmountable dilemma of the big city. Presidential Cabinet members and environmental authorities are saying the next 100 million people in the United States should find employment and live in rural America. But how can they, when ever larger and larger farms are destroying the largest basic industry; namely, the family farm that provides and supports the livelihood of millions of people in rural America. It is high time policy be established whether the United States is to have a family-type agriculture or a corporate wage-labor type. And we had better decide quickly, before large farms take over.

Dr. Goldschmidt said: "The family farm is the classic example of American small business enterprise. For generations this institution and the community it supports have held the esteem of all who have known and understood the American heritage. Statesmen, historians, economists, and sociologists have generally agreed that the spread of the family farm over the land has laid the economic base for the liberties and the democratic institutions which this Nation counts as its greatest assets."

For the sake of building a viable rural America on a solid foundation let us preserve the family farm. And if my extreme concern about the disappearance of the family farm is proven a false alarm today, no one will be happier than I. But you will have to show how the present trends to large-scale farming can effectively be stopped.

STATEMENT OF RAY HARGENS, SECRETARY, IOWA ASSOCIATION OF ELECTRIC COOPERATIVES, IDA GROVE, IOWA; DONALD MASTERS, PRESIDENT, NORTHWEST IOWA POWER COOPERATIVE, MAPLETON, IOWA; AND ARCH GUSTOFSON, NEBRASKA PUBLIC POWER DISTRICT, COLUMBUS, NEBR.*

It is time the Government reviews the farm regions and stops trying to step away from the problems of the farmer and the farm communities. Suggestions, such as the abolishment of the Department of Agriculture as it presently exists, would not only remove the farmers' direct communication with his Government, but could result in the abolishment of other departments of Government, agencies and programs which try to boost the economy of rural America.

Remember, I am not just talking about the farmer, I am talking about rural America, which includes farmers and farm communities. These people depend upon one another to make a living, and when one segment such as the farmer is hurt, then the rural farm communities and towns experience economic woes. Their economics are directly affected by the farm dollar. Some of these communities hardest hit by the farm price stagnation probably could not even meet their financial share, which is usually 50 percent, to be eligible for Federal or State aid. Programs such as sewer and water projects, airport development, park lands and traffic controls are out of their reach. This situation is then compounded with a declining number of taxpayers due to a declining farm and farm community population. Our schools may soon be over-capitalized because of a decline in the number of students and on the other side of the coin this accelerating migration from the rural areas has helped compound the problems of congestion and pollution of the large metropolitan areas.

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*Page 575—Hearing III.

REPORT, NEBRASKA TECHNICAL ASSISTANCE AGENCY*

A major proportion of the decline in rural economy in the last 20 years can be traced to an unlikely source—the U.S. agricultural policy. The Government has worked hard and successfully for the last 20 years to improve methods of agriculture, and the end result has been both useful and disastrous. Farm technology has greatly improved, allowing food prices to go down and production to greatly increase. The business aspect of agriculture has thus benefited greatly. But at the same time, people formerly employed by small farmers, and the people in farm towns dependent on (other residents) for business, have been left jobless by the increased technology in farming. No replacement industries or services have alleviated the job loss suffered by these rural citizens; thus they have been forced to leave their areas in order to support themselves and their families. One might argue that the Government should have foreseen these results, the spinoff and side effects of these efforts. But instead, as happens in so many efforts, no notice was taken until it was too late to maintain a strong economic base. Thus, 20 years later, community action projects in rural areas are attempting to repair the damage unintentionally inflicted in the name of progress. The small rural communities, dependent on farmers for livelihood, are drying up for want of business. The farmers sell out and leave for other jobs, and the smalltown supportive services are left behind, the last to depart from the rural area.

WALLACE PETERSON, CHAIRMAN, DEPARTMENT OF ECONOMICS, UNIVERSITY OF NEBRASKA**

THE CRISIS IN AMERICAN AGRICULTURE

(By Wallace C. Peterson)

After several decades of apparent prosperity and unprecedented economic expansion, it is becoming more and more apparent that the American economy is not only unable to get full employment without inflation, but that it does not operate to distribute jobs, income, and reasonable affluence to *all* the population. As a recent editorial in *Life* magazine put it, "Some glib assumptions about American affluence have gotten utterly out of line with the realities of life as lived by most people." Too many groups—the aged, the wage earner, the small businessman, the farmer, and even many of the alienated young—feel they are being economically forgotten by what we think of as the world's most productive economic system. The claim to being economically left out has special validity in the case of agriculture, as this statement attempts to demonstrate.

SOME STATISTICAL EVIDENCE

A few statistics—some well-known and some not so well-known—will suffice to indicate clearly that American agriculture is not faring well, even though the nation's real output grew by nearly 50 percent

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*Page 203—Hearing V.
**Pages 322-325—Hearing V.

during the last decade. The health of agriculture is critical to Nebraska, simply because farming is still the most important single industry in the state, even though there have been some important gains in manufacturing in recent years. What is sometimes overlooked, though, is that most of our employment in not only manufacturing but also in wholesale and retail trade is directly or indirectly related to agriculture.

Now for a look at some statistics. For example, the medium income per family in the non-farm sector of the economy was $8,499 in 1969, in contrast to the medium income per farm family of $5,936. When farm income averages only 70 percent of the non-farm income this is not a healthy condition, particularly since *real* living costs do not differ by this much between rural and urban areas.

There are some other important statistics which reflect the adverse income situation between agriculture and the rest of the economy. There is, of course, the familiar and dependable parity ratio, which has declined from a post World War II high of 115 in 1947 to 72 last year. Even if government payments to agriculture are taken into account, the farmer's economic position relative to the rest of the economy is much worse than it was immediately following the war. Another way to look at this is to examine the price spread between the price paid to farmers as reflected in the wholesale price index and consumer prices, including the price of food. Last year the wholesale price index for farm products was only 1.5 percent higher than in 1947, although overall consumer prices were 73 percent higher and food prices at the grocery store 63 percent higher. Since all wholesale prices went up in this period by 44 percent, farm prices clearly did not follow the trend for other commodities sold at wholesale. These statistics provide verification for what both farmers and consumers instinctively sense; namely, that lower prices on the farm seldom, if ever, translate into lower prices in the grocery store and meat market.

Another statistic of critical importance pertains to productivity in agriculture. Since 1947 *output per employed person*[1] in farming has gone up by an astounding 287 percent, although *real* income per farm has gone up by only 36 percent. In a market economy there should be a better relationship than this between income and the contribution to output, insofar as the latter if reflected in productivity statistics. As a matter of fact, throughout the whole of the postwar era productivity in agriculture has increased about twice as rapidly as productivity in other parts of the economy, even though the farmer has been caught in as severe a price-cost squeeze as exists anywhere. It is the remarkable productivity of American agriculture that accounts for the fact that Americans spend a smaller proportion of their incomes for food than do consumers in any other major industrial nation.

The foregoing statistics on productivity gains in the agricultural sector put the costs of governmental programs for agriculture into better perspective. Farm programs that sustain farm income are not an excessive price to pay for helping to maintain this remarkable record of true technical progress. As a matter of fact, farm program costs appear large only to the misinformed and only when considered without reference to other items in the Federal budget. In recent years,

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[1] The term "employed" means everyone working on a farm, including the owner-operator.

Federal outlays to stabilize prices and farm incomes have averaged about 3 percent of total Federal expenditures, a figure which might be compared to the approximately 45 percent of Federal outlays going for military purposes, little, if any, of which is directly productive. The peaceful purpose of using barely 3 percent of our national budget to provide people with food to eat can hardly be termed wasteful.

If we want to direct criticism at Federal income support programs it should not be aimed at their amount, but at the fact that the benefits, like so many other programs in our national life, flow too often to those who need them least. For example, recent census data show that there are about 73,000 farms in Nebraska, but according to figures released in April by the U.S. Department of Agriculture slightly fewer than 9,000 farmers received over $5,000 per farmer in government payments from all sources. Farmers getting more than $5,000 per farm accounted for approximately 12 percent of the farms in the state, but received 37 percent of the total government payments. In agriculture, as elsewhere, in our economy, public policy too often works to increase rather than to lessen excessive concentration in income and wealth.

Finally a word about taxes. Although there has been some general recognition that the property tax—especially as it works at the local level in Nebraska—hits the farmer especially hard, it has been thought by some that farmers pay less on the average in sales and income taxes, whatever their income bracket. Now, though, a recent study by two Iowa State University economists casts doubt on this proposition, for they found generally farmers paid at most income levels a higher percentage of their incomes for both sales and income taxes. While this study was done in Iowa, the results appear applicable to Nebraska.

WHERE DO WE GO?

While the foregoing statistics provide hard evidence concerning the worsening economic position of the American farmer, they do not give any answer to the question of what is to be done to arrest the erosion of family farming and the decay in the quality of rural life in America. The powerful economic and social forces which brought us to the crisis confronting the farmer are still at work. One thing we can be certain of, and that is it is going to take a most determined effort to change their direction and devise policies which will insure agriculture a fair share of the national income. Three routes are open: the first is found in the programs being proposed by the Nixon Administration; the second is to continue to follow the path trod since the 1930's; and the third is to strike out boldly in a new direction. Let us examine each of these possibilities.

Although the language and rhetoric coming from the USDA in the first years of the Nixon Administration tended to confuse and confound rather than enlighten, the direction which current policy is taking is now becoming apparent. The fundamental intent is to move more and more toward dependence upon the market with less support from government insofar as agriculture is concerned. The Administration argues that its program will mean more income for farmers because they will have greater freedom to produce for the market. Flexible price supports are to be the tool whereby American exports of farm products can be increased. As a matter of fact the Administration appears to be counting on a hefty increase in exports to offset the inevitable income losses that lower support levels entail.

Will this approach work? The odds are against it for several reasons. The basic fallacy is in believing that you can improve the farmer's income situation by forcing him to operate in a more competive market when practically all other sectors of the economy are cushioned in one way or another from the economic effects of unrestrained competition. The historic evidence is that this simply will not work. The expectation of the Administration that it can expand our exports, overcome our balance of payments troubles, and increase farm income by lowering support levels is likely to run afoul of the peculiar nature of the demand for food and fiber. Lower prices for agricultural commodities historically have meant lower incomes for all farmers, while there is not much evidence to suggest that this approach will significantly expand our exports, particularly in view of the strong efforts made by most other nations to protect their farmers from foreign competition. Further, there is little indication that the Administration is really serious about either stemming or reversing the rural to urban migration. The President's recent and much publicized program of revenue sharing for rural community development adds only $179 million to sums already being spent.

What of the second route? This is to continue essentially unchanged programs of price supports and acreage limitations which got started with the original Agricultural Adjustment Act in the 1930's. One difficulty with what now might be termed the traditional approach is that the Congress has never been willing to move to a 100 percent parity for agricultural prices, although in 1941 the Steagall Amendment to our basic agricultural legislation guaranteed the farmer 90 percent of parity during World War II and two years thereafter. Perhaps the basic difficulty in this approach has been that it was not grounded in a clear conception of what kind of an economic and social structure was needed and desirable in our agricultural and rural areas. The parity idea is a useful tool for improving the income position of some farmers, but it is not adequate to solve the income problem for all farmers.

What are the possibilities for new directions in agricultural policy? One would be foolish to be overly optimistic about how much can be accomplished in an era when, nationally, farmers now represent only about five percent of the labor force. Nevertheless this five percent has a strategic significance in the American economy many times greater than this figure suggests. Consequently, strong and imaginative efforts must be made to establish a new foundation and new directions for agricultural policy in the United States.

As a first and fundamental step future agricultural policy must rest upon a national commitment to family farming as the basis for production in the agricultural sector. What, one may rightly ask, is so special about such a commitment? The basic reason is as much psychological as economic, for once the commitment has been made, it becomes easier to find the means to obtain for farmers a fair share of the national income. There is ample historic precedent for this kind of commitment; one need only cite the National Labor Relations Act of 1935, which committed the United States as a matter of public policy to promote collective bargaining in labor-management deliberations, or the Employment Act of 1946 which held it to be the public policy for the Federal Government to pursue policies leading to maximum employment and purchasing power. A national commitment provides the incentive to find the means to achieve a given social or economic objective. More recently, the commitment the Kennedy Administration made to land a man on the moon offered a dramatic example of this procedure.

There are other reasons why this should be done. It should be evident to nearly everyone by now that no useful social purpose is being served by policies that continue to squeeze the agricultural economy, forcing more and more farmers off the land and leaving the small towns without a sound economic base. There is much talk these days about the need for rural development, but without explicit recognition that prosperous family-style farms are the key economic base for the rural community, meaningful rural renaissance is not possible. The counterpart to the rural exodus is the explosive overcrowding which has developed in our great cities, a condition that must be corrected.

The second step is to clearly identify those elements in a national agricultural and rural development policy that not only are best done by the Federal government but for which it currently has the capabilities. Two things fall into this category. First, the Federal government remains the best instrument through which price and income support for agriculture can be obtained, whether by the parity formula or some yet-to-be-discovered new approach. Policy in this realm also includes Federal support for private action to strengthen the farmer's economic position, an example being the current trend toward collective bargaining as practiced by the NFO. Second, the Federal government must be the primary agent for development of a national location policy designed to bring about a better geographic distribution of our population. Some of the elements in such a policy would include careful decisions about the location of new Federal installations, judicious credit arrangements and carefully conceived tax incentives, and, finally, subsidies to local communities.

Finally, we need to assess our need for new social inventions. In the past unmet and critical social needs have been met by working out new ways of doing things. For example, when our monetary system in the period before World War I proved inadequate for a rapidly expanding economy we invented, so to speak, the Federal Reserve System. This gave us badly-needed control and stability for our money supply. Today in rural America our most critical need for social innovation is in the realm of finance—finance for an enlarged family-type farm which may have an investment in production assets worth up to $100,000 and finance for rural development, including the small towns of rural America. A new concept which offers an exciting promise is that of a Rural Development Bank, organized in a regional basis much like the Federal Reserve System, and funded in part by the Federal government and in part by private subscription.

In the nearly three decades which have passed since World War II ended, technological and social change in America has preceded at a dizzy and often socially-destructive pace, as witness, the near-helpless conditions which exist in most large American cities. But this is behind us and cannot be changed. What we can do is to try through intelligently conceived policies to master these forces and channel them in a constructive direction, the aim being to create a physical and social environment in rural and urban America alike which offers to everyone the possibility for a creative and meaningful life.

STATEMENT OF WILLIAM E. MURRAY, LEGISLATIVE REPRESENTATIVE, NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION*

By dividing the functions of the Farmers Home Administration into rural development—under the Rural Enterprise and Community Development Administration—and the farm loan functions—under the Farm Development Administration—all under the direction of an Assistant Secretary for Agriculture, Rural Development Credit, we believe that both the farm and nonfarm segments would benefit to a much greater extent than is possible at present.

These innovations closely approximate the recommendation in this regard which we made to this subcommittee on June 16. At that time we also recommended that the Department's name be changed to more clearly reflect the mission and responsibility for a nationwide rural development program which S. 2223 implicitly assigns to the USDA. We suggested as possibilities the "Department of Agriculture and Rural Development" or the "Department of Rural Development."

Senator HUMPHREY. At this point I want to make a note of the importance of that suggestion and I am going to introduce a bill that will try to get this done. But I think the emphasis that we had all through the testimony relates to what you might call "the new dimension in rural America" called rural development, without downgrading the importance of our commodity programs and our farm operating loans and the storage programs and everything that relates to agriculture, because when you really get down to it there won't be any rural development if you have farmers going bankrupt. You have to have some rural prosperity.

I like that idea of the Department of Agriculture and Rural Development, just like we have the Department of Housing and Urban Development, there would be a Department of Agriculture and Rural Development. I think that covers both of the fronts that we are talking about, rather than dismember the Department—which will never happen, it is not going to happen around here at least. We should be trying to strengthen the Department and infuse it with the kind of talent and sort of mental attitude that lends itself to a rural development.

I think the one problem we had with the Department of Agriculture was that it has been overwhelmingly a commodity-oriented Department over the years including clear back to the Roosevelt period. It traditionally has not given enough consideration to the other rural aspects of rural life on the total living environment of people living on the farms and in the smaller towns.

I like your suggestion and I want you to get your people all ready for that, because I think it is something we should do. I think we will need to find a lot of support here in this city for this.

Mr. MURRAY. We will be very pleased to do that. I think Governor Tiemann also pointed out that the Department of Agriculture has an identity program.

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*Pages 405–406—Hearing IV.

Senator HUMPHREY. Yes. I think that is very true. And the Department gets pushed around; with the many forces that are at work today it is having a problem as to whether it is commodity-oriented, consumer-oriented, or development-oriented. And it seems to me that if you have "rural development" as its mandate, you should at least be able to cover most of those problems. This of course would require us to reorganize the Department.

Go ahead.

STATEMENT OF JOHN W. SCOTT, MASTER, NATIONAL GRANGE*

In 1969, the average income per farm operator was about equally divided between realized net income from farming and off-farm income. For operators in the $40,000 and over sales class, the portion of total income from off-farm sources was only 17 percent; for those in the sales class of less than $2,500, however, the share of total income from off-farm sources was 87 percent.[1]

I am sure that many conclusions can be drawn from the statistics that I have presented, but one thing stands out—American agriculture is moving through a change that is resulting in fewer and larger farms, with less requirements for man's labor. Although industrial expansion is taking place in rural America, it is not developing fast enough to absorb the manpower that is being released into the labor market from the advancing technology of American agriculture.

We have so depleted the human and financial resources of rural America that it is becoming almost impossible to lift ourselves up by our own boostraps. We need legislation to start to replace some of the resources that have been torn from rural people and rural America.

We hasten to point out to this Committee that the very heart of a prosperous rural America is a strong, healthy, independently-managed family farm structure. The problems of rural America cannot be solved with mere appropriations to employ the unemployed in a series of public works projects. Such projects can assist in rebuilding and maintaining a healthy rural community by providing some off-farm employment and attracting industry to rural poverty areas where the need is particularly great. But they can be only backup programs to a strong agricultural community if we want a long-term solution to the poverty areas of rural America and the development of community life that will help to preserve those elements of rural living that have made America great.

Our rural population continues to decrease and our cities continue to spread and burst out at the seams like a growing boy with only one pair of pants. This imbalance of population has upset normal economics and social relations and has spread havoc throughout the land.

The rural-urban imbalance can be reversed some by improved farm prices for agricultural commodities, provided the corporate invasion of American agriculture can be stopped. This must be done if the family farm structure of our Nation's agriculture is to be preserved. USDA studies have proven that the family farm with 2.5 employees is the most efficient means of providing our Nation with food and fiber. Why then do we allow nonfarm interests to use profits from nonfarm business, much of it obtained by the advantage of the liberal income tax code provided for the bona fide farmer, to invade American agriculture, forcing the smaller producer off the land?

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*Pages 140–152—Hearing II.

[1] Economic Development Division, Economic Research Service, U.S. Department of Agriculture May 1971.

It is obvious that the government cannot dictate to private industry where it should locate its plants, nor can it dictate the whole policy of the allocation of resources and economic development. However, it can compensate for those factors not available in the areas where it feels there should be some additional industrial or agricultural development and assume some of the risks inherent in this kind of operation. Such planning could and should obviously take into consideration the social factors involved, as well as the possibility of the simple making of a profit by a private entrepreneur.

We believe this can be accomplished within the private and individual enterprise system. It need not be a socialization of industry or of our society, but the cooperative relationship between rural areas and the urban-oriented businesses, as well as with a Federal Government which is creative in purpose and intent, can make a maximum impact on these problems in rural areas.

We have been concerned that programs designed to alleviate some of these problems have not functioned in the rural areas as we had hoped. Congress made provisions for rural water and sewer systems on paper, through the passage of legislation, without adequately funding the programs. The necessity of upgrading our rural electric and telephone systems has always been, and still remains, a constant battle in Congress. In addition, we have seen the Office of Management and Budget withhold appropriations of the Congress for services which are badly needed in the rural areas.

Even with what has been planned and accomplished, we appear to be attacking the symptoms of the problems instead of attacking the problem at its roots. We need greately expanded manpower-training programs for rural areas and mostly, the abandonment of the laissez-faire system for allocation of the human and financial resources on the basis of efficiency only.

To my knowledge, every successful attempt at rural development has been because people became involved in problem-solving, in short they got up off their apathy and went to work to make their community programs work. Communities in Pennsylvania, Iowa, North Carolina, Nebraska, North Dakota, to mention only a few, have successful rural development programs—all because people cared about what was happening to their towns.

We see this pattern in our own organization. Communities can have Granges that are richly endowed and own their own Grange halls, but are dying on the vine because of a lack of interest in what is taking place around them and the lack of local leadership that has the ability to arouse people to become involved.

Despite Government activity, success really depends, as we have seen, on what is done within each community.

Senator Henry Bellmon*

In my home state of Oklahoma, the number of farms is rapidly declining from 106,000 in 1960 to an expected 90,000 this year. Small farms are dying out because the income derived from them is not enough to adequately support an average family unless there is off-the-farm income. Nationwide, there are 50 percent fewer people living on farms today than there were 20 years ago, even though the nation's population has increased by nearly 33 percent in the same period. A young man only needs to consider his earning potential in rural America today, and he looks longingly to the city. Even though the average income for farmers is swelled by the earnings of our nation's few agri-millionaries, the average farm household income today is $2,405 less than income for non-farm households. After production expenses are paid, Oklahoma farmers average $2,800 net income. This is not even a fair return on their average investment, with nothing for labor income.

(The Senator said farm income could be improved two ways: By reducing production costs and improving seling prices of commodities. He said programs should be developed to encourage processing of farm-produced raw materials closer to the farms where they are produced. This will provide better commodity prices and increase opportunities for off-farm employment, he added.

(The Senator also called for added research with pesticides to reduce crop losses, and a disaster relief program, complemented by a workable plan of crop insurance.)

Governor J. J. Exon of Nebraska**

From an appraisal made by the Nebraska Department of Agriculture, we have estimated that the national economy is losing about $15 billion dollars annually to underpricing our agricultural production. These are dollars lost annually—never to be recovered for our general economy, because we haven't placed agriculture on a par with cost of production and general wages and salaries in business and industry.

We believe the story can be presented to the nation that equitable pricing of agricultural production will not place a burden on the consumer, but will furnish new wealth offering a much more realistic program than switching dollars in a revenue sharing plan that provides no new source of revenue. This route, utilizing our nation's unchallenged supremacy in food production, can provide a national growth policy.

Many of our recently proposed federal programs aimed at rural areas have only extended the illness without providing a true remedy for our great rural resources.

Statement of Oren Lee Staley, President, National Farmers Organization, Corning, Iowa***

THE NATIONAL GROWTH POLICY

The sticky situation facing this Nation today with its rural poverty and population decline on the one hand, and its overcrowded cities with bankruptcy staring them in the face and civil strife and seething discontent on the other hand, is the direct result of low farm income.

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*Page 51—Hearing I.

**Page 112—Hearing I.

***Pages 153–161—Hearing II.

We have forgotten to realize that low farm income not only drives people from the farm, but it also drives rural business people and their families from the rural areas because the two are tied together as far as their economic welfare is concerned. They all become misplaced people.

What was once just considered as a farm problem becomes a problem of the total society. The result is a social, political, and economic disaster which is gnawing at our Nation. A program for balanced national growth, with the proper and proportional allocation of resources to invigorate and renew those areas suffering from political neglect is not only needed, it is required if this Nation is to survive. It will be costly, it will require maximum contributions by all our citizens of their talent and resources, but the alternatives of concentration of power to repress the restless are too dreadful to seriously consider.

With less than 35 percent of our population in rural areas, we have more than one-half of the poverty of the Nation and almost two-thirds of the substandard housing. Many elementary and secondary schools are second rate at best. Adequate health and dental service is nonexistent. Rural churches have long ceased to be viable institutions.

If this Nation is in earnest in its stated commitment to eliminate poverty, then it must eliminate the causes of poverty. This means adequate educational opportunities for all rural children, adequate health care, adequate health and sanitation facilities, and above all, adequate income. We see neither the commitment or will or resources necessary to correct these problems in proposals yet made.

Too many people are talking about rural development in terms of creating industrial centers, making sewer and water loans to small towns without any future unless agricultural income is rebuilt, and letting the farm sector of the economy go ahead and decay.

In NFO, we are talking about stemming the invasion of integrators and corporations into agriculture, reviving family farming with decent price levels attained through collective bargaining, and rebuilding our rural communities on a sound agricultural foundation with prosperous, individual, private, free enterprise instead of letting managerial empires take over the farming business and divert all of the equipment, fertilizer, and supply business to factory distributors.

It may very well be that the United States needs to undertake both rural development—the rejuvenation of our tragically underrewarded food and fiber production business and the dispersal of industry, government offices, and other economic activities, because of the problems of overconcentration in large urban centers. But we should not confuse the two.

The National Farmers Organization will heartily support dispersal of industrial and business activity. It is needed. And it would create nonfarm opportunities for many sons and daughters close to home who cannot and do not fant to farm and now have to squeeze into an overcrowded metropolis.

If the United States Government is serious about dispersals, it can quickly take giant strides toward that end simply by conditioning its own $85 to $90 billion annual procurement on the location of the factories, or the research and development laboratories and workshops, and by sending a lot of its own agencies to offices outside Washington, D.C. Congressmen Roncalio, Melcher, and others are working toward that end. The Government itself is one of the biggest centralizers and should take the lead in dispersal.

Senators Pearson, McGovern, and McClellan all have bills to give tax concessions to industries and businesses which locate away from overcongested areas which would speed that undertaking. Congressman Sebelius has such a bill in the House.

Development of the rural America that exists today, the agriculture-oriented areas, depends on improving the economic position of the farmers, and I am concerned that hearings under the heading of rural development, filled with testimony of people who assume that farmers are all going broke and that corporate and integrated farming—managerial empires—are inevitably going to take over will be regarded as an answer to the farm problem when it is not an answer to the farm problem or the rural problem at all.

The best prescription for rural development is more farm income, and the adjustment of agricultural price levels to a parity with prices in other segments of our economy.

Because farmers have not been organized to bargain for their prices as labor has done, or to administer their prices as big business has done, there is a liquidation occurring in agriculture which will continue until farmers get their fair share of our affluence.

The NFO is fighting to get family farmers organized to win the price battle, and to save farming as it exists today—and along with it the existing small businesses and communities in rural America. If we do not succeed farming units will continue to be liquidated until the remaining producers—a few big corporations and integrators—are able to unite and operate like the steel industry and the banks who administer their prices.

PROBLEMS RELATING TO AGRICULTURE IN IOWA[*]

By Dr. Marvin Lind, Director, Research Division, and Del Van Horn, Agriculture Director, Iowa Development Commission

1. *Low-income Farmers*

Low farm prices or unfavorable crop yields can produce income problems even on adequately capitalized, well-managed farms. However, many Iowa farmers face perpetual low income because of too little land, too little capital and too little management ability. A farm that is too small, in terms of volume of sales, does not provide the potential for an adequate income. Low income does not permit saving to adequately equip and operate a farm unit or finance expansion. Low education and/or lack of managerial ability does not permit borrowing for expansion.

Farm record summaries inndicate that the income and financial position of many Iowa farmers is strong. However, the same records also reveal lower labor and capital returns on some farms than the potential for this labor and capital in other uses. The issue facing the state and nation is (1) how to identify and assist those low-income farmers who have the potential for success in farming to achieve this goal, and (2) to identify those who appear to have greater opportunity in other sectors of the economy and assist them to leave farming.

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[*] Pages 457–459—Hearing III.

2. High Capital Requirements in Farming

Increasing machinery costs, rising land values, and the large sales required for full-time employment have caused a rapid rise in the amount of capital required per farm worker. The ability to control the necessary $150,000–$450,000 may not always rest with those men with the most interest or ability for success in farming. The risk assumed by individual farmers is large when operator labor is a small part of total costs. The income potential may be higher on a large commercial farm, but the potential cash loss from unfavorable weather, prices or yields is also large. Those who do not have both ability and capital will have to accept relatively low income levels in farming. Those who lack capital but have ability may be unable to accumulate capital fast enough in one lifetime to reach an economical size.

3. The Cost-price Squeeze

The capacity of United States agriculture to produce more food and and fiber than domestic and foreign markets can buy has kept downward pressure on the prices of many farm products. At the same time, per unit costs of many farm inputs have trended steadily higher. This has forced individual farmers to search out and adopt newer and more efficient methods of production in order to keep production costs per unit of output as low as possible. There is also pressure to increase the size of operating units in order to make more effective use of labor-saving machinery and equipment. This need for greater productive efficiency in agriculture seems certain to continue in the years ahead. It will be especially critical for smaller farm operations where the margin between prices and costs are narrowest. Continued effort will be needed to help the public and farmers understand this process and to and to adjust policies and farming operations to effectively meet these changes.

4. Farm Labor Supply

Obtaining the services of competent farm workers is increasingly difficult in Iowa. Farm work has low status and long hours. The availability of good off-farm employment has made farm hands scarce. Farm wage rates in many cases are not competitive with other employment alternative when the working conditions, job security and fringe benefits are considered.

Farm work is by its nature seasonal—high in spring and fall and lower in summer and winter. Farmers cannot offer full-time employment in all cases. Part-time or seasonal workers are especially difficult to obtain. With larger machines and expensive livestock, highly skilled workers are needed.

FUTURE PROSPECTS FOR IOWA'S AGRICULTURE

Recent declines in employment in agriculture in Iowa are expected to continue. The number of farms will drop further, and average farm size will increase as additional farm labor is replaced by capital investment in machinery and equipment. Total output of Iowa's agriculture is likely to trend upward during the next few years. However, the amount of gain will be influenced by the kind and specific form of agricultural policies in force during the period ahead. For example, Iowa crop production would likely increase more if land retirement and production control programs were concentrated on land of relatively low productivity; or if food aid programs were substantially expanded. On the other hand, policies of land retirement at uniform rates among states would likely mean a smaller gain in Iowa production of crops.

Iowa is expected to retain its dominant position in the production of hogs and grain-fed cattle. However, such states as Nebraska and Texas will probably move closer to Iowa in cattle feeding. Iowa is also expected to continue as one of the top two states in corn and soybean production. Iowa's production of milk and eggs will continue to make a sizable contribution to national totals. But the relative importance of these products in Iowa agriculture may decline further.

Income opportunities from farming in Iowa are expected to be favorable for large-volume operators with a high level of management ability. Adequate capital, sufficient volume and good management will keep production costs relatively low. Income potential will continue low on small-volume, poorly managed farm units. The net income gap and the difference in return per unit of resources between poorly managed and well-managed farms will likely widen.

Iowa agriculture will continue to make a major contribution to the Iowa economy and the nation's food supply. The direct value added through agricultural production will trend upward. The value added through the manufacturing, transportation and trade sectors which are related to raw materials to or from agriculture will continue to gain as farm output grows.

In relative terms, however, the agricultural sector of the Iowa economy will contribute less in percentage to the future gross state product than it has in the past. Future growth in value added by manufacturing, trade and other nonfarm sectors of the Iowa economy may be more rapid than growth in total income from agriculture. This will mean a further decline in the proportions of employment, personal income and gross state product in the agricultural sector.

Statement of Dr. E. V. Smith, Dean, School of Agriculture and Director, Agricultural Experiment Station, Auburn University, Auburn, Ala.*

The 1971 executive budget included a modest proposed increase in the appropriation for the State experiment stations earmarked for rural development research. When I discussed the proposal with the Congressman from our local district, he asked, "Dean, isn't that what you've been working at all of your professional life?" He, of course, was equating rural development with agriculture. Gentlemen, all of us will agree that agriculture—farms, ranches, and forests—is the heart of our rural economy and basic to our national well-being. Recent history has indicated, however, that agriculture alone cannot effectively utilize all of our vast natural resources nor provide satisfactory employment and income for all of our people who wish to or should live and work in rural America.

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*Page 707—Hearing III.

Prior to World War II, Alabama's economy was heavily weighted toward agriculture. Had the term "rural development" already been phrased, it and agriculture would have been considered to be synonymous.

ELTON L. BERCK, PRESIDENT, NEBRASKA FARMERS UNION*

It is an oversimplification to say that $3 wheat and $2 corn will solve all the economic and social problems of State and Nation.

It is exaggeration, however, to say that continuing deterioration in the farm cost-price relationship casts its reflection on the city council meetings of every metropolitan area of the Nation.

As reported in the August economic summary by the President's Council of Economic Advisers, farm production expenses have climbed 154 percent since 1947 while farm gross income was advancing 66 percent in the same period, creating a 1.3 percent drop in farm net income while nonfarm groups were sharing substantailly in the Nation's economic growth.

Farmers Union believes it to be self-evident that this Nation must develop a land use and population distribution policy and soon.

We believe that an integral part of such policy is a Federal farm policy and Federal farm programs which will make it possible for the young farm family to own a farm and realize an accepted American standard of living through its operation. Every citizen in this Nation should realize that he has a vested interest in the prosperity and well-being of the family farmer.

To this end Farmers Union strongly opposes any governmental reorganization plan which would dismantle and fragment the U.S. Department of Agriculture but we demand that the policies of that department come under close congressional scrutiny in order to see to it that it is in fact a department for family farm agriculture.

Members of the committee, in summary, the Farmers Union believes it to be self-evident that the first and most important step in rural development is to elevate the family farmers to a position of full partnership in the Nation's economy.

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*Page 152—Hearing V.

REPOSITORY OF HALF OF THE NATION'S POVERTY

STATEMENT OF W. WILSON KING, KINGLORE FARMS, ROCK FALLS, ILL.*

One of my former colleagues on the Rural Poverty Commission, Dr. James Bonner, of the Department of Economics at Michigan State University, gave a report to the Minneapolis Farm Forum. He sent me a copy of it, and I take the liberty of retelling what he said.

Dr. Bonner reported that after the riots in Detroit several years ago, a prestigious New Detroit Committee was formed by influential citizens to rebuild Detroit, and create jobs for the hard-core poor. These gentlemen worked hard and long with local business and industry. About 55,000 new jobs were created.

A survey was taken after this tremendous effort, and the project was completed, and Detroit had a slight increase in unemployment.

Everyone had written and had passed the word back to the homefolks, to come to Detroit, as there were jobs there for them. It is like dipping water out of a rowboat with a tomato can, when it is leaking in by the bucketful.

May I give you another story. I am sure you will have a very close correlation, to your areas in your respective States. When we were holding our Rural Poverty Commission hearings, the late Congressman Joe Resnick testified and told this story about his congressional district in upstate New York.

The Congressman's district was composed of Dutchess, Ulster, Columbia, Greene, and Schoharie Counties. Dutchess County was a boom county—with large IBM factories there, Ulster and Columbia were average. His two north counties of Greene and Schoharie were officially classified as depressed counties. They had more population during the Civil War than they did that day. Schoharie had the highest unemployment, highest illiteracy rate, and the lowest per capita family income in the State of New York.

Congressman Resnick conducted a survey of his district. Of all Federal funds, loans, and grants that were available that came into his district, only 15 percent went to the two depressed counties, because they lacked the leadership, expertise, and money to make feasibility studies, et cetera.

It is sort of like the old saying, "The rich get richer and the poor get poorer." I would urge the subcommittee to give this serious thought.

STATEMENT OF MISS SANDRA MYERS, STUDENT TRAINEE, RURAL DEVELOPMENT CENTER, TIFTON, GA.**

My county's farm income totals $14 million a year and this money comes mainly from peanuts, hogs, tobacco, corn, cattle, soybeans and truck crops.

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*Pages 620–624—Hearing IV.

**Page 907—Hearing III.

There are two things in the county that we are especially proud of now. The first is the new neighborhood center located in Ocilla. Both young people and old folks can use the building. Another thing that has helped the county is the Ben-Hill Irwin Vocational School, located on the Irwin and Ben-Hill County line.

Even with all these good things working for us in Irwin County, we still have many things that are needed. Senators, many homes in my county are not sanitary. Many do not have bathrooms in them. They do not have bathrooms in them, not because the people do not want them, but because their income is too low.

There is also a great housing problem in my home county. Black and white people both need more homes to live in. Some of the places they live in are not fit.

Poor streets and roads also present a problem in Irwin County. There are just too many holes in the streets and road work needs to be done. There have been promises to have all these streets fixed.

More money is needed in the rural areas of my home county to help make it more pleasant to live out there. Many people out there need help with their income. Many of the old people are living on nearly nothing. I know some people that do not have enough income to meet their food expenses. What are they supposed to do?

Ocilla is the county seat of Irwin County and many of the city workers there do not have enough equipment to do their work. Unless they can get the right equipment to do the job, how can they be expected to do the things that need to be done?

We need help in getting people concerned enough to do something about this. If we could get people to speak up, we might be able to solve some of these problems. Some people are afraid to speak out because of their race or because they are poor.

That's no excuse, I know, because these people live there too, and it is only fair for them to speak up and tell someone that their problems where they live could be improved. They should tell other people they need help.

We need more help with our schools. We need young teachers who are more patient. I think teachers ought to be required to keep up with the times or retire. Where I live, there is also a great need for more books and other school equipment for students to use.

Senator Humphrey, I realize you might not be able to help us with all our problems, but I just wanted to let you know about some of them. There are things that Irwin County and other counties need that you might be able to help them get. We like living in the rural areas and would like very much to stay here. We think the conditions here are better than they would be in a city ghetto. We want to stay and we ask your help in supplying the needs that will allow us to stay here.

STATEMENT OF CLARENCE D. COLEMAN, DIRECTOR, AND RICHARD LYLE, ASSISTANT DIRECTOR, SOUTHERN REGIONAL OFFICE, NATIONAL URBAN LEAGUE, ATLANTA, GA.*

On the surface, it appears that poverty is declining in the United States. Since 1959, the first year for which data on poverty are available, there has been an average drop of 4.9% each year in the number of persons statistically defined as impoverished. Surely, much of this gain can be attributed to the "War on Poverty" launched in 1964 with the founding of the Office of Economic Opportunity and the revolutionary Community Action Program. Another portion of it, however, is the result of the unprecedented years of continuous prosperity experienced by the American economy during the sixties which has now abruptly ended.

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*Pages 925, 926, and 935—Hearing III.

It should not be surprising, then, that in 1970, the number of persons living in poverty shot upward 5.1%—or more than the average decline for the previous nine years. At the end of 1970 there were over 4.4 million families with incomes below the poverty line living in rural America, of which 2.1 million, or 47.7%, lived in this 12-state Southern Region.

Nationally, in 1970, 10% of all white households were classified as improverished, while a whopping 31% of minority households were found to be living in poverty. The conditions in the rural South, predictably, were much worse, with 22.5% of all white families and 53.6% of all minority families having incomes of less than $4,000 per year.

Poverty is also known to be related directly to families headed by women, as male headed households in poverty declined 53% during the last decade, while those with female heads held steady. In fact, the chances of a family being in poverty increases three times if that family is headed by a woman.

Again, minority groups suffer disproportionately as nearly half of all minority poor households are headed by a woman as compared to only 28% for white households. More ominously, 54% of all minority people classified as poor are below 18 years of age, while for whites the rate is only 36%. The ratio of white age, on the other hand, is nearly three times that of minorities, reflecting, without a doubt, the differentials in life chances which bear ever so heavily on longevity as well as the propensity to escape the legendary poverty cycle.

We find it totally inexplicable, in light of the above facts and at the very time that poverty is on the increase, that the OEO program is being severely curtailed across the board. But we find it even more distressing that the Community Action Program, the first and only hope which millions of rural poor people have ever had to break the chain of local systems and institutions which ensure their impoverishment year after year, is being wholesalely dismantled in rural county after rural county.

As ineffective and courthouse dominated as some of these CAP programs were, they at least offered a hope for change—a lever where the egalitarian concepts of the federal system could be hooked into the deadwood of rural "stand-pat-ism" to force at minimum the acceptance of some standards of national public policy.

HOUSING

A number of problems currently confront anyone tackling the problem of providing decent housing for present and future rural populations in this region:

(1) Many minority families have incomes far too low to meet normal loan requirements, even with prevailing interest subsidies and below market rates;

(2) The private construction business is best equipped to produce a relatively high volume of housing units in a compact geographic area—which few rural situations can support;

(3) Current rural federally subsidized housing programs in this region have failed to produce anything near a satisfactory level of construction—largely due to the inability of federal agencies to effectively bridge local resistances to minority land ownership, loan qualifications, provision of sanitary and other support services, etc.:

(4) Most rural areas in this region lack comprehensive planning and zoning systems which could provide for orderly development and the presence of necessary facilities such as clean water, sewerage treatment, drainage, and adequate utilities, instead of the present unofficial system which works to exclude minority and disadvantaged families from the housing market.

HEALTH AND SOCIAL WELFARE

Furthermore, the quality and quantity of social welfare services in the rural South is considerably below that of the rest of America. There is an absence of qualified and dedicated personnel who understand the problems of the rural poor. As a result, there are many poor rural Southerners, especially blacks, who are qualified for various forms of public assistance but who do not receive it. Many lack the knowledge and political sophistication of their urban counterparts to seek and demand what is rightfully theirs. Who is to advise them if the Welfare Caseworker or the Antipoverty worker will not?

As you may know, the family size of poor rural families is larger than the national average, and the lack of quality child care is extensive. Although the extended family has alleviated this immediate problem, it has produced a culturally isolated and deprived population which is not having a catastrophic effect on our urban centers. Even with a minimum income, we still face the immediate problem of making it available to every rural family that is qualified for it and also those supportive services in the area of management and family planning that will enable the rural poor to enter the mainstream of American life.

In addressing the welfare of the rural South, an over-riding concern for immediate consideration must be maternal and child health care. The rural South is the midwife capital of this nation and many births still occur in private dwellings. In fact, it is still possible for a child to be born and never see a physician, a dentist, or a public health nurse until he enters a public school system in some areas of the rural South. As you well know, the vast majority of the hospitals in the rural South are insufficient in terms of the number of beds and the number of trained personnel. Most are short term facilities offering the poorest quality of general care on a crisis basis. The number of specialty hospitals in the South is grossly below that of the national average and these rural poor are both economically and geographically isolated from these facilities. And to this the dearth of trained health and allied health professionals who are willing to locate in the rural South and you face a problem of bewildering proportions.

In many rural counties, public health services are available only on a part-time basis. Sanitation services are non-existant and you would not have to travel very far from this room to find homes with outhouses which are a potential and real hazard to the water supply of rural families. There are many children who never receive vaccinations of any type until they enter the public school system. Can you imagine such a potential hazard within a few miles of this very site?

The rural South has an epidemic of malnutrition. Nearly 40 per cent of low income families in the South have what are classified as poor diets. Southern families consume considerably more fats, oils, flour, cereal, eggs, sugar, and sweets than those in other regions. The consumption of milk and milk products is considerably lower in the South than in other regions of this nation, about seven gallons less per person per year. Southern families also consume less fruit than those in other regions of this nation, about 26 pounds less per person per year. There is also a high incidence of intestinal parasites. The rural South has the unusual distinction of being the land of the "peculiar diet." Among the poor malnourished black and white persons of the rural South, you will find such poor food choices as clay, chalk magnesium, starch, flowers, and refrigeration frost. A special type of white clay is sold in many farmers markets for personal consumption.

Planners in the urban areas of America are talking about the duplication and fragmentation of health and welfare services in our metropolitan areas, but it is not likely that the rural South will face these types of complex and sophisticated problems in the immediate future. It is almost impossible to duplicate services where no services exist or where they are of such limited quantity. In the rural South you can discuss fragmentation, but it is fragmentation of people and not services. There are people in the rural South that work in one county, purchase consumer goods in another county, purchase health services in a third county.

STATEMENT OF LLOYD JACKSON, DIRECTOR, NATIONTIME CONSULTANT FIRM, ATLANTA, GA.*

HOUSING

Rural poverty in the United States has no geographic boundaries. It is acute in the South, but it is present and serious in the East, the West, and the North. Rural poverty is not limited to Negroes. It permeates all races and ethnic groups. Nor is poverty limited to the farm. Our farm population has declined until it is only a small fraction of our total rural population. Most of the rural poor do not live on farms. They live in the open country, in rural villages, and in small towns. Moreover, contrary to a common misconception, whites outnumber nonwhites among the rural poor by a wide margin. It is true, however, that an extremely high proportion of Negroes in the rural South and Indians on reservations are destitute.

Hunger, even among children, does exist among the rural poor, as a group of physicians discovered recently in a visit to the rural South. They found Negro children not getting enough food to sustain life, and so disease ridden as to be beyond cure. Malnutrition is even more widespread. The evidence appears in bad diets and in diseases which often are a product of bad diets.

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*Page 935—Hearing III.

Disease and premature death are startlingly high among the rural poor. Infant mortality, for instance, is far higher among the rural poor than among the least privileged group in urban areas. Chronic diseases also are common among both young and old. And medical and dental care is conspicuously absent.

Unemployment and underemployment are major problems in rural America. The rate of unemployment nationally is about 4 percent. The rate in rural areas averages about 18 percent. Among farmworkers a recent study discovered that underemployment runs as high as 37 percent. The rural poor have gone, and now go, to poor schools. One result is that more than 3 million rural adults are classified as illiterates. In both educational facilities and opportunities, the rural poor have been shortchanged.

Most of the rural poor live in atrocious houses. One in every 13 houses in rural America is officially classified as unfit to live in. Many of the rural poor live in chronically depressed poverty-stricken rural communities. Most of the rural South is one vast poverty area. Indian reservations contain heavy concentrations of poverty. But there also are impoverished rural communities in the upper Great Lakes region, in New England, in Appalachia, in the Southwest, and in other sections.

The community in rural poverty areas has all but disappeared as an effective institution. In the past the rural community performed the services needed by farmers and other rural people. Technological progress brought sharp declines in the manpower needs of agriculture. forestry, fisheries, and mining. Other industries have not replaced the jobs lost, and they have supplied too few jobs for the young entries in the labor market. Larger towns and cities have taken over many of the economic and social functions of the villages and small towns.

The changes in rural America have rendered obsolete many of the political boundaries to villages and counties. Thus these units operate on too small a scale to be practicable. Their tax base has eroded as their more able-bodied wage earners left for jobs elsewhere. In consequence the public services in the typical poor rural community are grossly inadequate in number magnitude and quality. Local government is no longer able to cope with local needs.

As the communities ran downhill, they offered fewer and fewer opportunities for anyone to earn a living. The inadequately equipped young people left in search of better opportunities elsewhere. Those remaining behind have few resources with which to earn incomes adequate for a decent living and for revitalizing their communities. For all practical purposes, then, most of the 14 million people in our poverty areas are outside our market economy. So far as they are concerned, the dramatic economic growth of the United States might as well never have happened. It has brought them few rewards. They are on the outside looking in, and they need help.

Congress and State legislatures from time to time have enacted many laws and appropriated large sums of money to aid the poverty stricken and to help rural America. Very little of the legislation or the money has helped the rural poor. Major farm legislation directed at commercial farms has been successful in helping farmers adjust supply to demand, but it has not helped farmers whose production is very small. And because the major social welfare and labor legislation has discriminated against rural people, many of the rural poor—farmers and farmworkers particularly—have been denied unemployment insurance, denied the right of collective bargaining, and denied the protection of workman's compensation laws.

STATEMENT OF JOHN BLOCH, EXECUTIVE DIRECTOR, BROWN, BARTHOLOMEW, AND JACKSON COUNTIES COMMUNITY ACTION PROGRAM, COLUMBUS, IND., ALSO REPRESENTING THE NATIONAL ASSOCIATION OF COMMUNITY DEVELOPMENT *

The Department of Commerce in July of 1970 calculated that $6,350 per annum is required for a family of four to be self-sufficient in nonmetropolitan Indiana. If we take that figure as a conservative figure it will then become apparent that in excess of 50 percent of the rural residents of America are living in functional poverty, if we are going to talk about functions. Very few, if any, poor people make their living farming any more. If somebody wants to question that they can check out the farm subsidy report.

Therefore, when we talk about that break between farm and nonfarm poverty incomes it is barely a bureaucratic mechanism. It is not reality.

When we realize that fully 50 percent of rural America is operating at functional poverty and it cannot afford effective housing, health, transportation, education, then I think the problem of rural development takes on a different kind of connotation.

I think that government, local government, Federal, in my experience has fallen down miserably in discharging its duties to the citizenry of rural America, because rural America is governed by a minority, a very distinct minority, and it is a landholding gentry. I do not want to hear about local government doing this and that, because every county I have ever lived in from Fauquier County, Va., from Washington County, Vt., to Brown County has been controlled by less than 3 percent of the population.

With 75 percent of the population currently concentrated in the metropolitan areas, it has been politically expedient to pay only lip service to the needs of the people of rural and small town America. Evidence of this can be seen in the almost total disregard to The People Left Behind, the report by the President's National Advisory Commission on Rural Poverty, by both Presidents Johnson and Nixon.

To cite but one glaring example of this failure, the Office of Economic Opportunity appropriations which were designed to deal with poverty in this country, devote 70 percent of their moneys to urban poverty when urban poverty involves only some 40 percent to 50 percent of the poverty population in this country with the remaining 50 percent to 60 percent being in rural and small towns across the country.

Further, these programs were designed by and large by urbanists and for an urban population. So, even the 30 percent of the funds which go to rural poverty are basically urban programs.

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*Pages 242–247—Hearing II.

HEALTH

The rural housing need and the failure of the Federal Government to provide assistance is well documented by the Select Committee on Nutrition and Human Needs in their report, Promises to Keep: Housing Need and Failure in Rural America. They state that, "two-thirds of America's inadequate housing is in rural areas." They go on to say that, "our official housing goal of 26 million units over a 10-year period is far too low and could be as much as 45 million units." Over the last 33 years only 489,000 federally assisted housing starts have occurred in non-metropolitan areas. This effort has been totally inadequate, and there seems to be no major changes in the offing.

In referring to the Farmer's Home Administration the Committee reported:

In sum, there are millions of Americans who are getting "homes" unfit for human habitation from slumlords, there are millions who are denied public housing, and there are millions who cannot overcome the arbitrary and illogical hurdles erected by FmHA. All are living in substandard housing that threatens their health and safety.

But housing itself is not the answer. Residential land use in rural areas must be considered along with the ecological factors of using the rural areas. Facilities must be planned for in a rational way to provide a functional blend of residences and services. To date, scattered site building and tract housing have been the rule.

EDUCATION

In our area of Indiana, we have a 25-percent dropout rate before high school graduation. In other parts of the country, the situation is much worse. The expenditures for education in metropolitan and nonmetropolitan areas was reported by the Committee of Government Operations in "The Economic and Social Condition of Rural America in the 1970's"; their report showed a $600 per pupil expenditure in metropolitan areas as opposed to about $480 in nonmetropolitan areas. The report goes on to illustrate the discrepancy in educational attainment for those in rural areas.

But the statistics do not tell the total story. I am concerned with the quality of the educational experience. For example, rural education is still geared toward agricultural subjects, while only about 32 percent of rural people are engaged in farming, and the percentage is decreasing. Charles Silberman in "Crisis in the Classroom" has documented in great detail the failings of education. He has also proposed an alternative to the present programs, and there are others.

In line with my earlier comments, I believe that two major reforms are required: the decentralization of the consolidated schools, and the return of control to the parents and general public.

AMERICAN INDIANS, ESKIMOS, AND ALEUTS

STATEMENT OF ROBERT B. MACKEY, DIRECTOR, NEBRASKA INDIAN COMMISSION, LINCOLN, NEBR.*

Nearly 200 years of American History shows that the status of the American Indian has remained relatively unchanged.

The white man began taking the Indian's lands from the time of the Pilgrim's landing at Plymouth Rock some 350 years ago.

Varying degree and methods of genocide was practiced including outright killing of men, women, and children to Treaties which were designed to separate the Indian from his Lands. Land Allotment Act of 1887 also designed to take Indian Lands, isolation on miserable Reservations, removal of the Indian children from their homes and placed in government Boarding Schools where the children were forced to surrender their Indian culture by threats of extreme discipline, relocation programs by removing entire Indian families and dumping them into huge metropolitan areas with no followup program or transitional orientation, and finally Termination was attempted by the Federal Government to avoid its responsibility for the Indians, by continuing a plan to make the Indian into a white.

Today, the Indian's status is the direct result of this deliberate act of suppression, discrimination, brutality, and denial of first class citizenship, here in the State of Nebraska.

There are over 14,514 Indians living within the State of Nebraska, representing the Omaha Tribe and Winnebago Tribe in Northeast Nebraska in Thurston County, and the Santee-Sioux Tribe in Knox County, and those Indians living in off-reservation communities and metropolitan areas.

There are only 2,244 Indians residing upon the three reservations, occupying approximately 50,000 acres of typical, isolated, desolate, and unproductive lands. There are single ranches that have 50,000 acres or more operated by white, single families. The rest of the Indians are forced into involuntary relocation to nearby communities, to rural off-reservation areas, and into metropolitan areas. The Government Policy will not allow survival assistance to these Indians who had to seek an existence off of the reservation and are apparently regarding these off-reservation Indians as being less Indian by having had to relocate to survive in the ghettos of the towns and cities where he cannot compete with the white man for jobs other than entry level jobs and in most cases at lower wages than a white man doing the same task.

The Indian is handicapped because he has not been educated or trained adequately in government schools and public schools. The Indian is at a disadvantage because he does not have adequate housing. The Indian cannot compete because of limited medical and dental care which has reduced his life expectancy to some 40 years of age, and the Indian does not have any Legal Services that can meet his needs in the courts and he winds up paying unusually high fines for misdemeanor offenses or serving unrealistic jail terms whereby white offenders never reach the courts in most cases. There is a law on the Nebraska statutes which amounts to an Indian Bounty Act as it allows the Thurston County Sheriff to collect $2.50 a day for each Indian prisoner who is fed in his County jail, from the State of Nebraska. The Omaha Tribe of Macy, Nebraska in Thurston County have been forced to seek "Retrocession" placing the Federal Government in the position of Law Enforcement over crimes committed by Indians on Indian Lands also located in Thurston County are studying the possibility of seeking "Retrocession."

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*Page 382—Hearing V.

There are federally funded programs in all areas where Indians live, whether it be in the reservation areas or in the towns and cities and outside of Headstart Programs, there are no specific programs designed to meet the many needs of the Indians nor will any Indians be found in staff positions where he might be involved in policy making or decision making for his own kind of people who have unique characteristics and behavioral traits that are peculiar to Indians, the most important of these is the Indian Value System that the non-Indian does not understand or take into consideration. Unfortunately, most of these federally funded programs are staffed by incompetent political hacks who in most cases do not have the capability to initiate appropriate anti-poverty programs for the Nebraska Indians.

During a recent survey of monies coming into the State of Nebraska for the services to the three Indian reservations indicated that for the fiscal year 1971 the Bureau of Indian Affairs budget totalled $1,508,000 and the Indian Health Services (U.S. Public Health Services—Winnebago) revealed a budget which totalled $1,405,000. In addition to this there are probably over $6,000,000 in grants and programs from Health-Education-Welfare, Housing and Urban Development, Economic Development Administration, and other federally funding sources.

With all of the above identified funding sources and programs for 2,244 Reservation Indians in the State of Nebraska, there is still the need for major Housing Programs for Indians on all three reservations as well as those Indians living in off-reservation communities, in Western Nebraska, and those living in the metropolitan areas and are excluded from all services by the Bureau of Indian Affairs, there is a need for a realistic welfare program to offer supportive services to those Indians who live off of the reservations in voluntary relocation, seeking a better life and have yet to find this dream, there is a need for a total medical-dental program to meet the care to enable the Indian to live longer than 40 years, there is need for an Educational-Training program to be competitive in Industry, there is a need for equal employment opportunities, and there is a need for a comprehensive legal services program to meet any legal assistance necessary to permit an Indian a fair day in court.

It is recommended that all of the State and Federal Agencies and Resources be mobilized into a task force and coordinate a plan of action involving the Indian community and bring about the provision of housing, medical-dental care, education-training, employment projects, and legal services.

The Indians of North America and Alaska have paid too great a price to be denied these survival-support services by the Federal Government who have the responsibility through countless Treaties with the American Indians in exchange for valuable lands and minerals which once provided for all of the Indians needs and now relegated to Political Prisons called Reservations where the diabolical plan is designed for the Indians extinction.

(The attachment is as follows:)

Attempted review of dollars expended in northeast Nebraska primarily among the Omaha, Winnebago, and Santee Sioux Tribes

1. The Winnebago Indian Agency (Serves three tribes):	
Fiscal year 1971:	
A. Education	$464,000
B. Welfare	347,000
C. Housing	126,000
D. Employment assistance	41,000
E. Law and order	117,000
F. Forestry	27,000
G. Soil and moisture conservation	63,000
H. Maintenance of roads	41,000
I. Management of property	39,000
J. Repair of buildings and utilities, BIA	59,000
K. Business development program	28,000
L. Major alterations	15,000
M. Road construction	95,000
Total	1,508,000
2. Indian Health Services (USPHS Hospital—Winnebago):	
A. Health	1,176,000
B. Construction of Facilities	229,000
Total	1,405,000
3. CAP Agency at Walthill, Nebraska (Serves the five-county area)	650,000
4. Johnson-O'Malley Educational Funds for Indians	464,000
5. HUD (Housing Authority program under review)	1,821,000
6. Public Law 185:	
A. Omaha Macy School	800,000
B. Winnebago School Grant	1,500,000
Total	2,300,000
7. An Industrial Plant Loan from the Small Business Administration	150,000
8. Winnebago Multi-purpose Community Center:	
A. Economic Development Administration	224,500
B. HUD	673,500
Total	898,000
9. Home Improvement Programs	63,000
10. Head Start Program	11,000
11. Santee Cap program	25,000
12. Santee School Grant	15,000
13. Four Santee Water Wells	12,500
14. 36 Santee Housing Units	718,824
NOTE.—A. Reservation population:	
Omaha	1,100
Winnebago	877
Santee Sioux	247
B. Total Nebraska Indian Population	14,000

GOVERNOR WILLIAM A. EGAN OF ALASKA*

Officials in Washington are probably weary of hearing Alaskans talk about the unique problems of rural areas of the state, but there is no better way to describe them. Problems in Alaska are compounded by tremendous distances, topography which makes surface transportation difficult, and ethnic groups which are disadvantaged educationally, culturally and economically. Thousands of Alaska natives—Indians, Aleuts and Eskimos—residing in remote and isolated areas of Alsaka are living under poverty conditions worse than Appalachia. Approximately one-fifth of Alaska's population is made up of these ethnic groups.

Most of the native villages are situated on the Arctic and Sub-Arctic coast, or interior rivers, where they have historically existed on a subsistence economy, with fishing and hunting as the only means of support. The transition from a subsistence economy to a cash economy is extremely difficult, since in most instances, there is little or no industrial development feasible in the areas, principally due to the lack of transportation facilities. The people living in these villages cannot be readily assimiliated into the urban centers because of educational and cultural disadvantages, yet they are not happy living under existing conditions.

(The governor pointed out that economic development was possible because Alaska has so many natural resources, but that "financial assistance will be needed to develop transportation and other facilities to make these resources accessible."

(He said that federal agencies did not often respond to needs as they should because of poor uses of money and the need for program consolidation. For instance, he pointed out that Indian, Eskimo and Aleut villages do not qualify for help under the Indian program of EDA.)

STATEMENT OF WEBSTER TWO-HAWK, UNITED SIOUX TRIBES OF SOUTH DAKOTA, ROSEBUD, S. DAK.**

At the present time we have an unemployment rate of 65 percent, and underemployment rate of 85 percent. And I would like to compare this with any other part of the country. And this is where the real need is. We are actively trying to look to industries. The United Sioux Tribes and each individual constituent tribe is out looking, and of course, we are competing with every community in the State and in the whole country.

So it is a hard job trying to bring in industry, and yet we have been somewhat successful in locating, like on the Rosebud we have an electronic plant, something that our people can do quite well. We have laminating plants. We are in the process of bringing in a woodworking plant. So we feel that these will augment the income that our land produces, and in the future certainly with a diversified type of small industry like these, it will help solve, it will help take the lead that is presently being borne by the Bureau of Indian Affairs.

The attitude of the Sioux area right now is we would like to help ourselves, but credit is something that stands in our way. Money is

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*Page 62—Hearing I.
**Page 597—Hearing III.

hard to find on the reservations. We find that even the money that a few of us earn does not stay on the reservation. It leaves the reservation immediately as soon as it comes into our hands, and so we need the service type of industry as well so we can generate and we can turn that dollar around maybe at least two or three times on the reservations. It will do more people more good that way.

And so I would like to make my comments brief, that the plight of the reservation—I am sure that the gentlemen who have been on before me do recognize—our neighbors—do recognize this, and we do recognize their efforts, too, and so we like to promote and help them and in a way we would like to have them understand us, too.

And so at this time we look now to Congress to the changing of the Bureau of Indian Affairs, the changing of the policy so we can deal with less red tape, so we can do directly without much time and efforts as it has been done before in the past. And so we would be coming to you I am sure knocking on your doors in the future.

TWO-THIRDS OF OUR SUBSTANDARD HOUSING IS IN RURAL AMERICA

Statement of William H. Peace, III, Director, Southern Rural Project, Atlanta, Ga.*

More than twenty years after Congress pledged "a decent home for every American family at least 8 million homes—two-thirds of them rural households—are substandard. Usually the homes of the rural poor lack central heating; few contain all plumbing facilities, many are so dilapidated that they compare with the most squalid dwellings in economically underdeveloped lands. A survey by the Tufts-Delta Health Center of the homes of residents in Bolivar County, Mississippi shows that only three of every ten units have piped water, only one in four a bathtub or shower, seven of ten have "sunshine prives—no pit, no permanent siding, no real wall. In winter, some families are forced to cannibalize their own homes—to tear boards from the walls for firewood.

Yet only about 10 percent of all federal housing funds goes to rural areas and most of that falls too short of reaching to poor. In fiscal year 1970, the Farmers Home Administration made housing loans and grants totaling $791.5 million, up 55 percent from the preceding year. Half went to families with incomes of $10,000 or more; only 5 percent went to families earning $3,500 or less. FHA's standards exclude families whose mortgage payments would be much less than the rent they now pay for their hovels, as well as those families who could afford to build structurally sound low-cost houses with basic, but minimum water and sanitation facilities. As estimated 13.5 million new and rehabilitated housing units are needed in the next ten years in rural America. Of these 7 million or 700,000 a year must be subsidized. At the current rate of 120,000 units a year—one-sixth of the necessary pace—it will take more than fifty years to meet the rural housing famine.

Statement of Conrad M. Fowler, Judge of Probate, Shelby County, Columbiana, Ala., and Winston Stewart, Executive Director, Association of County Commissioners of Alabama, Montgomery, Ala.**

For years programs of the Farmers Home Administration have offered great hope for rural development. Yet FHA programs, when viewed from the standpoint of long-range community development, have been grossly underfunded. As an example, several of the communities in Shelby County have FHA financed water systems; loans and grants. These installations, the best that were available under the programs, were minimum type installations. Funds were not available

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*Pages 898–899—Hearing III.
**Pages 702–703—Hearing III.

for installation of systems that could be readily expanded; or that could be tied with other systems as part of a countywide utility. Ultimately we will need a countywide water system and the existence and obligations of these water authorities will pose problems. The FHA people have been extremely helpful. They have the capability of doing a better job if adequate funds are available.

RICHARD T. O'CONNELL, SECRETARY, NATIONAL COUNCIL OF FARMER COOPERATIVES*

UNIQUELY EQUIPPED CATALYSTS

An estimated 14 million improverished Americans live in the rural areas. Some 50% of all rural housing is said to be substandard, compared with an estimated 14% in urban America. One South Carolina co-op surveyed just one of its counties and found that 40% of the 7,000 houses had no toilet facilities.

Armed with such evidence, South Carolina's rural electrics are launching "Stand Tall" programs throughout the state to develop jobs and job training and to provide housing, water and sewer systems, schools and recreation for the rural poor. "These are the people who would go on to the slums of the cities if not helped and become dope addicts," says a spokesman for the state's electric cooperatives.

The co-ops have their own interests at heart, of course, J. U. Gajan II, director of power sales for Slemco, notes that the co-ops can increase their electricity loads by improving the lot of their customers. "We're not really looking at it moneywise—it's hell to be poor—but if we can move someone from a $2 a month house to a $5 a month (electric bill) we're helped too," he says.

Whatever the motive, the rural electrics appear to be uniquely equipped to become catalysts for a turnaround in rural America. "The co-ops, usually the largest single business organizations in their communities, have a corporate citizen interest in this whole matter," says Robert D. Partridge, general manager of the National Rural Electric Cooperative Association. "Many millions of future Americans," he adds, "are going to have jobs and live in what are now rural areas. The cities can't absorb them, and the co-ops need these additional consumers to offset their loss of farm consumers."

A PUSH IN HOUSING

Other observers agree. "It's the greatest development idea beyond the city limits," says David A. Hamil, administrator of the Rural Electrification Administration, which still provides financing of around $345 million a year to the co-ops but only for power purposes. And Congressman Wright Patman of Texas told the co-ops at their recent Dallas convention: "Slowly we are making headway in this area, but the rural electric cooperatives must still provide the nucleus of any new efforts to revitalize rural communities."

If anybody's unhappy about the co-ops' expanded ativities, in fact, it's mainly the investor-owned utilities who don't get the benefit of low-cost government loans for their power facilities. Utility executives grumble that if they were able to get 2 % loans, they, too would have more profits left over for community development activities.

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*Pages 325–328—Hearing II.

The biggest push by the co-ops is in housing. Their national association lobbied through Congress a liberalization of lending policies as well as additional funds for the Farmers Home Administration. On the home front, the co-ops began vigorously rounding up homebuyer prospects to use up the $1.5 billion the Farmers Home Administration has available this fiscal year.

The result has been a flood of home-loan applications into understaffed FmHA offices. Mills J. Vautrot, assistant county supervisor for the FmHA office in Lafayette, says he is closing twice an many housing loans this year.

Many co-ops have begun helping process loan paperwork for the FHA. A North Carolina rural electric hired an additional man for this purpose. Some co-ops have put on, or at least assigned, as many as four staffers to handle FmHA loans. At Jackson, Ga., the co-op's "Power-Use Organization," wives of consumer-members of Central of Georgia Electric Membership Corp., has made housing its club project this year. "By financing homes for them, we can hold people in the country and keep the poor devils out of the city," says Robert F. Armstrong, manager of the Georgia co-op.

JUST A COINCIDENCE

Some co-ops are going even further on housing. Wisconsin's rural electrics set up a statewide housing cooperative that is using government grants and loans to construct homes for the rural poor. Similarly, at Wilburton, Okla., a nonprofit housing co-op recently established by Kiamichi Electric Cooperative is constructing more than 600 homes for low-income families. It is so coincidental, the co-op says, that the houses are all-electric.

But houses alone aren't enough, the co-ops figure, so they are pressing for some amenities, too.

In Texas, the rural electrics have helped establish several hundred water districts and are involved at the moment in developing LBJ State Park, named after the former President. In New Mexico, electric co-ops rode to the rescue of a narrow-guage railway abandoned by the Denver & Rio Grande Western Railroad. A resulting two-state joint venture begun by New Mexico's rural electrics has salvaged a 67-mile stretch of scenic route in Colorado and New Mexico. It will be reopened this summer for tourists and narrow-guage railroad buffs.

Clinton County Electric Cooperative at Breese, Ill., helped establish a junior college at nearby Centralia and then got behind community campaigns to improve medical facilities. One of the co-op's officers headed a financing drive that resulted in a new 100-bed hospital. Now he directs a group that's been trying to bring in more doctors and nurses. The organization already has netted one new doctor with its campaign this year.

PLUGGING RURAL VIRGINIA

Jobs are important, too, and that's why the co-ops are hustling for new industries for their areas. Earl J. Shiflet, executive manager of Virginia's statewide association of electric cooperatives, now spends half his time making speeches in the cities to plug the industrial attractions of rural Virginia.

North Carolina's Blue Ridge Electric says it has brought nine industries to its area in the past 12 months. They include textile, woodworking, metalworking, and furniture plants and provide 1,200 jobs.

At Medford, Wis., Taylor County Electric Cooperative puts up seed money to get new industries started. It's also keen on airport improvements, perhaps because its 68-year-old manager, Charles W. Berglund Jr., got his pilot's license last November.

Georgia's statewide co-op association recently hired an industrial-development specialist who's trying to fill the state's empty buildings with new firms. "Cotton is dead," says a spokesman for the Georgia co-ops, "and there seem to be a lot of vacant warehouses."

Eastern Maine Electric Cooperative parlayed a vacant warehouse, its own, into a thriving new industry for Calais, Maine. The industry, a shirt factory, did so well it has moved into its own new plant. Now the co-op is trying to get someone else to occupy the warehouse, and a winemaker and a paint-brush manufacturer have expressed interest. "This is the grass roots," says Robert V. Clark, manager of the co-op, adding: "If it doesn't start here, it doesn't start."

JOSEPH C. BROWN, VICE PRES. AND GENERAL MANAGER, DIERKS DIV., WEYERHAEUSER CO., HOT SPRINGS, ARK.*

Another of our primary concerns in initiating our expansion program in McCurtain County dealt with the impending need for several hundred new homes, a circumstance that could tax the resources of almost any predominantly rural areas.

We sought to partially meet this need by having a subsidiary, Quadrant Corp., undertake housing developments in Idabel, Broken Bow, and Wright City. Quadrant's personnel have worked closely with Federal agencies in arranging financing and setting up specifications, and we have found them in the main to be well staffed and knowledgeable.

However, rural housing programs of the Farmers Home Administration have, in our experience, fallen somewhat short in implementation. They do not adequately recognize that housing does not exist in a vacuum, but it is inextricably linked with general community amenities which also must be considered in attracting and holding people in a community.

Moreover, Farmers Home Administration guidelines for appraisal of rural or smalltown housing for subsidized interest loan purposes discourage the installation of air conditioning or partial carpeting, for example. HUD, on the other hand, gives normal consideration to these factors in making appraisals. These agencies can and do operate side by side in communities under 10,000 which are not adjacent to a larger urban area. We have observed that their appraisals of the same house for section 235 loan and interest subsidy purposes can differ as much as $1,500 to $2,000.

We realize there are many factors that can contribute to this differential: The point discount and higher closing cost required by HUD, as an example. It is our experience, however, that the specula-

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*Pages 42–43—Hearing V.

tive builder of houses for sale finds Farmers Home Administration loans are not very appealing to buyers. If he, the builder, builds to Farmers Home Administration specifications, then the homes are not appealing to a substantial segment of the market.

This is a quandary that we think a lot of people are caught in, in the single-family home market these days.

Related housing problems which we have experienced in southeastern Oklahoma have been the absence of suitable rental housing, the hesitancy of private contractors to build on a speculative basis, and in determining what types of developments best suit the life style of prospective buyers.

ERNEST R. COLLINS, CHAIRMAN, BOARD OF DIRECTORS, CENTRAL NEBRASKA COMMUNITY ACTION, LOUP CITY, NEBR.*

Another thing we have had in our priorities was housing. When we talked to FHA, talk about housing, I think about 5 years, we haven't any housing in our small communities. It is a matter of money and everything like that. It is very difficult to get those papers. We send them in and send them in again and again and it gets higher and higher and higher, the paperwork, and then we never get a report. They send back for more papers.

I would like to see the housing authority or someone—they don't want to come out and talk. They go to larger places where they have 30, 40, 150 units. Maybe our community could stand 60. They don't want to come out there.

I think this is part of the problem in a rural area. Talking about rural housing, we don't have it and many of our homes are inadequate, without plumbing—outdoor toilets, things like that. It doesn't seem possible we have that.

STATEMENT OF ROBERT E. PETERSON, VICE PRESIDENT, PETERSON CONSTRUCTION CO., LINCOLN, NEBR., ALSO REPRESENTING VISION-17**

Mr. PETERSON. Senators, obviously this is not a comprehensive dissertation on the housing problems but as Al indicated is an example.

Pursuant to inquires from Mr. Vrtiska and other similar ones over the years, I have tried to respond to see what could be done for housing in small communities, believing as a free enterpriser, if somebody needs something, maybe there is a chance to make a profit, to supply it.

I have identified the problems in my mind sort of as follows: Income, cost, down payment, lending policies, appraisals, and information flow. Of course, you have heard today over and over how low the incomes are in the areas in question. This, of course, turns up an inability to purchase housing of the desired type.

Now, costs. There seems to be a myth that is prevalent among leaders and Federal agencies that housing costs should be lower in rural areas. This is not true, particularly if the area has a small population that cannot support its own building industry. It is necessary to bring in a builder from the city. He probably will bring his higher priced labor with him and then the material will either have to flow through a very low volume local outfit or have to be transported by a builder.

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*Page 189—Hearing V.

**Page 267, 268, and 269—Hearing V.

Value, as reflected in appraisals, is likely to be understated because of the belief that there are lower costs there when in fact the opposite is true. Then in addition, there may be a lower percentage of loan available because of the supposedly lower marketability in this lower area.

If fewer people are going to buy this product, then perhaps we had better value it lower so that we are safe on our loans, the type of thing we are talking about.

More discouraging yet, I have become convinced that there is reluctance on the part of officials in Housing and Urban Development and the Farmers Home Administration to make subsidy funds available in the smallest communities because they are enough of a free enterprise loan-type person to fear for the future of their loan money, their principal. They say, "The town might die, our principal might be lost." "We are the custodians of public funds." "Therefore we won't make the loan."

I think this is sad, that the Federal Government won't have confidence in the community that is trying to improve itself, and I think that the attitude ought to be changed.

Nobody wants to take a chance on the small communities except the people that live there, is what I am saying. This is the problem in my mind.

Finally, there is something in this field that you have heard today and other fields—there is a considerable difficulty in making usable information about applicable Federal housing programs readily available to local community leadership, most of which is working on a voluntary basis, don't have a lot of time to dig into the thing, don't have a staff available to do it.

Solutions: I think we need a determination, a commitment at the Federal level to get housing built in rural communities. Possibly we should identify a portion of this Nation's housing goal as its rural housing goal. I believe the figure of 300,000 units every year has been suggested as one idea, but some figure for rural housing.

Willingness on the part of the Federal agencies to be a lender of last resort if necessary and to appraise costs on the basis of true costs and deemphasize this concept of limited marketability as not valid.

Finally, information flow: Improve flow of information and assistance to local community leadership that demonstrates initiative in solving their local housing problems. This doesn't mean "jam it to them," but if they are interested enough to ask, have the answers available. This should take the form of assistance to organizations such as Vision-17 as well as making staff people available within these agencies oriented toward solving the rural housing problem and have the necessary backgrounds in housing production for advice available from such sources to enable them to get their job done.

STATEMENT OF DON R. SLATTON, EXECUTIVE DIRECTOR, HOME BUILDERS ASSOCIATION OF ALABAMA, MONTGOMERY, ALA.*

At this point in time, the job of housing rural America has not been accomplished. I shall present some of the reasons for your consideration:

(a) *Lack of construction financing.*—Rural banks and financial institutions are, for the most part, too small to handle the amount of construction financing a builder needs to obtain a production volume consistent with furnishing a moderately priced home at a reasonable profit. We feel there are two possible solutions. A national bank in a rural area should be relieved of its legal loan limit to an individual firm for the purpose of short-term construction financing. The Farmers Home Administration should be authorized to insure such construction loans in a manner similar to the Federal Housing Administration.

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*Pages 694–696—Hearing III.

(b) *Standardization of the minimum property standards.*—The minimum property standards requirements of the Federal Housing Administration, Veterans' Administration, and Farmers Home Administration should be standardized to allow a builder to automate or mass produce housing more efficienty.

(c) *Standardization of building codes.*—If an automobile manufacturer was required to make the myriad of changes required by many small communities of homebuilders the basic price of an automobile would increase by at least 200 percent. A professionally established building code, such as the Southern Standard Building Code, should be adopted by the small communities to end the patchwork requirements presently in force. This would reduce building costs and prices significantly by allowing component and modular manufacturers to operate profitably.

(d) *Overlapping of agencies.*—Consideration should be given to ceasing the overlapping functions of HUD and FHA in the rural areas. FHA is uniquely suited to handling rural housing and should receive additional funding. HUD is better suited to the handling of urban housing problems.

(e) *Common inspections and appraisals.*—If we are to continue having more than one Federal agency involved in rural housing, there should be a common system of inspections and appraisals. This would allow a homebuilder to produce housing and then finance it through whatever program applied to the particular buyer.

(f) *Water and sewage.*—An ever-present problem of rural homebuilding is adequate water supply and sewage treatment facilities. For fiscal year 1971, Congress appropriated $100 million for water and sewage grants. The administration only chose to fund $40 million. Urban America has caused ecological catastrophe with its lack of sewage treatment facilities. We should not repeat this mistake in the rural areas. A safe, sanitary supply of water is necessary to rural homebuilding also.

(g) *Substandard housing.*—In Alabama, there are some 1,033,642 occupied homes according to the 1970 census. Of these, 188,100 are lacking in the basic amenity of plumbing. Such housing should not exist in a country as rich in resources as is ours.

(h) *Supply of mortgage financing.*—Many mortgage companies are unable or unwilling to finance rural housing. Most rural savings and loans associations are too small to handle the volume of loans needed. This necessitates an agency such as the Farmers Home Administration. Consideration should be given to increasing its appropriation for such moneys. For the most part, money so appropriated is on a "loaned" basis and is an investment of tax moneys rather than an out-and-out expense.

(i) *Insufficient personnel for the Farmers Home Administration.*—The Farmers Home Administration has had a housing program since 1949. In the past 3 years, this department has handled more home loans than it did for the preceding 19 years. Yet this enviable record has been attained without materially increasing the housing personnel of the department. This subcommittee and its parent committee could alleviate the personnel problem and increase homebuilding in the rural areas by increasing the personnel appropriation for FmHA.

(j) *Adequate roads and streets.*—The cost of rural housing could be reduced and the quality of rural housing enhanced by better subdivisions streets within rural subdivisions. A person deserves a paved road to his own property line. The Department of Public Roads currently has grant money available to States for secondary or "farm to market" roads. Making such money available for roads within rural subdivisions would tend to reduce per-lot costs. Such roads, of course, would have to be dedicated by the developer to the State or county upon starting construction.

(k) *Garbage disposal.*—More people would be amenable to living in rural areas if adequate garbage collections were available. A possible solution would be low-interest loans by the Farmers Home Administration or Small Business Administration for such purposes, which would also tend to create additional jobs in the rural areas.

(l) *Interest credit loans.*—Currently interest credit loans, a FmHA form of subsidy roughly equivalent to the Federal Housing Administration's section 235 program, are stopped at the $12,500 level in Alabama. This should be increased to include some furniture and appliances, since low-income rural families rarely can adequately furnish their home after purchasing it. More credit sales of such items only pushes the family into debt and jeopardizes the repayment of the housing loan.

When the Department of Housing and Urban Development was created, the urban areas experienced phenomenal growth. This same principle could be applied to developing rural areas. A Department of Rural Housing and Development could be created to address itself to these same problems from the rural standpoint.

Creation of this Department could bring together the manpower and financial power to deal directly and effectively with all the problems faced by rural areas. Urban renewal programs have revitalized many of our cities. Rural renewal programs under such an agency could accomplish many of the same goals for those living in the rural areas.

While some publicly owned housing will always be necessary for those citizens of extremely low income, public housing is not the answer to the problems of rural housing.

In passing the Office of Education's appropriation bill for fiscal year 1972, the Senate approved $60 million for payments to school districts for children who reside in public housing. These payments were designed to compensate such school districts for the loss of tax revenues resulting from public housing projects. In the House version of the bill, no such funds were approved. On June 28, the Senate-House conference committee omitted the public housing impact money from the final version of the legislation.

Had this $60 million been used in a rural section 235 program resulting in homeownership for its participants, public housing impact funds would have been unnecessary. These homes would be on the tax rolls, paying their share of the tax load and thus reducing Federal spending.

WATER AND SEWER SYSTEM NEEDS

Statement of Hon. Herman E. Talmadge, a U.S. Senator from the State of Georgia*

The capital needs of rural America are indeed staggering. Inflation is increasing these staggering needs dramatically. In December 1969 the Farmers Home Administration completed a survey of the water and sewer needs of all communities with populations of 5,500 or less. This survey revealed that a total of $11.283 billion would be required to provide adequate water and sewer systems in these communities.

This 1969 survey is the most recent data that is available, but I asked the Farmers Home Administration to calculate the impact of inflation on the survey. Of course, I am sure a small amount of these water and sewer needs have been met since 1969, but at the same time the decay of existing systems has made the need greater. The simple impact of inflation in the construction industry has increased the 1969 water and sewer need of $11.283 billion to a current figure of $13.303 billion, an increase of over $2 billion.

Summary of Increases in Cost of Water and Sewer Facilities

WATER SYSTEMS

Up 8 to 11.5 percent (Use 8 percent both years).
(Ref. Whitman, Requardt & Assoc., Baltimore.)

SEWERLINES

4/69 to 4/70, +6.4 percent.
4/70 to 4/71, +10.5 percent.
(Ref. EPA.)

SEWER TREATMENT

4/69 to 4/70, +6.5 percent.
4/70 to 4/71, +12.2 percent.
(Ref. EPA.)
Need per 1969 FHA Survey $11,238 billion.
Year 1 average increase 7 percent=Total $12.072 billion.
Year 2 average increase 10.2 percent=Total $13.303 billion.

WATER PLANT COSTS RISE

Water utility plant construction costs climbed to new highs early this year, according to the Handy-Whitman semi-annual indexes.

The most dismaying increases were in treatment plant costs, which shot up 8% to 11.5%, depending on the region, in the 12 months ending January.

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*Page 139—Hearing IV.

Pumping plant costs shot up, with structures climbing faster than pumping equipment in every region.

The North Atlantic region bore the brunt of cost inflation as pumping and treatment plant construction cost increases topped 11% and reservoirs jumped 8.7%.

While the South still has the highest waterworks construction cost indexes of any region, the South Atlantic's costs rise slowed markedly. The slowest cost increases of any region were in the south central states. Reservoir costs in the South Atlantic rose 5.6% in January, half the previous year's climb.

The Pacific and Plateau regions had a slower rate of increase than northeastern and north central states. But Pacific states suffered the worst inflation in several years.

LETTER FROM JACK R. KALMAN*

Senator HUBERT H. HUMPHREY,
Chairman, Rural Development Subcommittee,
Senate Office Building,
Washington, D.C.

GENTLEMEN: I am an engineer, and our organization has been working very closely with the Farmers Home Administration for the last eight years and has seen the steady growth of the rural programs. First, let me say that the Oklahoma State Farmers Home personnel are, in my opinion, dedicated government workers. They have a mission to improve rural life, and they work long hours and work with the people and are accomplishing the mission.

Now I would like to discuss the program for rural water systems. We have made comprehensive water and sewer studies for twelve counties, and I would sure like to see them implemented. I have worked with rural residents who have been hauling water for over twenty years since the ground water in many parts of Oklahoma has become contaminated with salt. A 1,000 gallons oi water to most people with piped in water is just the minimum billing. To the farmer with a tank on a half-ton pickup, it is over four tons of water, or two days work and six to eight trips to the town water point where he can purchase the water.

The Farmers Home Administration prides itself in the fact that it is operating a self-sustaining business, a revolving fund for our taxpayers. Therefore, on this basis they have been assisting water boards in establishing water systems that are self-supporting. This is fine, this is the American way of life, and the rural resident has lived this way for years, making his living from the soil. The only catch to this is that the systems are not always up-to-snuff. The water pressure depends on pulsating pumps pushing water through limited size piping. With grant money these systems could be built to meet requirements more adequately, resulting in a well-engineered system.

Let me call your attention to the present day means of financing in cities and towns. The average governing body will not undertake a basic water or sewer project for their community without applying for a basic grant. These grants in almost all cases are 50% or more. If the community is fortunate enough to be in an E.D.A. area, they can obtain 80% money to construct these facilities to support industry which will result in jobs. I believe that the criteria is $8,000 in grant money for each projected job. Compare this to the F.H.A. water program. A 40-year loan at 5% interest based on $1,500 per family for basic water. These people need the grant since they are a basic working family, and a grant may help in retaining these families in the rural community.

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*Page 660—Hearing IV.

It is my recommendation that this committee review this program and increase the grant money to cover at least 50% of these most needed water projects so that our rural residents can continue to be productive and make their living in rural America.

This program would not be a hand out but would be a helping hand.

Thank you for this opportunity, and I do not hope my thoughts will be of value to this committee.

Respectfully submitted,

JACK R. KALMAN,
President, Kalman & Associates.

STATEMENT OF JAMES A. McHALE, SECRETARY, PENNSYLVANIA DEPARTMENT OF AGRICULTURE, HARRISBURG, PA.*

The Federal farm programs since the thirties have helped in the larger agricultural States, but we don't think they have done the job in Pennsylvania for our kind of farming. So far as I am concerned, it is like putting a Band-Aid on a large wound. We think we must have long-term planning instead of just action on a crisis basis from time to time. We tried in the fifties at the State level to do something about the problems. But the planners at that time seemed to work in the urban areas and really didn't get into the rural problems. Rural America has sent billions of dollars worth of young people to the city. The way the tax setups are made, it has just drained us, so that there is nothing much left in the rural areas.

We have received less for management than anyone else. We received $50 billion less for what we sold, than we paid out for production supply costs, rent, credit, interest, and taxes.

I guess the increase in land prices is the only thing that has really kept the farmer on the land.

We need improvements in housing and health delivery, education for young people, water and sewer. And we need some kind of a high-speed transportation setup so we can move the people and the products.

We held some poverty hearings in Pennsylvania. I of course have traveled roads for years and know the problems. But we decided to work with some other agencies and hold some other hearings. We held them throughout Pennsylvania. And we got evidence that even I didn't know, as much as I had traveled in the rural areas. We had people come in, and they talked about the sewage systems.

And the sewage system the lady was talking about was an open ditch, with raw sewage running in it. And she said it was plugged. And when we questioned her on how the smell was, she said, on some hot days it got pretty bad. And they have a slum landloard over there. He owned a small town. And he was charging rent from $35 to $75 a month. And he owned the water system. And he charged $7.50 a month for the water. And they brought in samples of the water, and the water was brown instead of the color of this water. And they brought in the filter, the one lady said had been on for 3 days. And she said that filter really didn't tell the story. You really could hardly stand the smell of it. But beyond that she said they had taken out the tadpoles and the green stuff, and one thing and another.

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*Pages 585–588—Hearing IV.

In short, we need investment, we need public and private credit. We need a dual yardstick credit system that will give us equal bargaining power in the money market for investment and credit money at the same prime interest rates and investment teams as big business gets. We deserve it more than the Pennsylvania Railroad, the Lockheed Corporation, and the Defense Contract credit extended to America's industries.

STATEMENT OF REX McRANEY, VICE PRESIDENT, MISSISSIPPI BANK & TRUST CO., JACKSON, MISS., REPRESENTING THE SOUTHERN MISSISSIPPI PLANNING AND DEVELOPMENT DISTRICT*

But the one thing I observe that we are doing in Mississippi—and this may be done in other States—that is going to hurt us in the end is, we are developing water systems, and because there are only 100 or 150 people in the community, we put in a water system that will take care of those needs and the main trunklines are 1- to 2-inch trunklines, and by developing the water system it will cut the price of a home about $1,500, because it takes about $1,500 to build a well if you dug it yourself. But once you get these 15 people on the water system, we have already obligated ourselves to this system, and it is not capable of adding any more to it.

Senator HUMPHREY. Exactly. I am very familiar with this.

Mr. McRANEY. So if this can be done on a multiple-county basis, like rural electrification, I believe it would solve many more of our problems, if we could put down the basic facilities, the trunklines anyway. And it would appear that we could put the sewer and water and perhaps the gas system all in one trench, and if we could do that, it wouldn't cost but very little more in the beginning, because your labor is in your trench, and the additional cost is in the size of the pipe. But it would serve the needs of the community for a long time to come and we could turn this outmigration around and get these people to stay there. But the little system that we are developing is defeating its own purpose.

STATEMENT OF THOMAS E. CARROLL, ASSISTANT ADMINISTRATOR, ENVIRONMENTAL PROTECTION AGENCY**

Costs of waste-treatment facilities for rural communities will vary, but a good example is provided by a common type of water pollution control facility constructed for communities with populations near 5,000, the extended aeration plant. An extended aeration plan for a design population of 5,000 is estimated to entail costs approximately as follows:

Construction of the plant	$386,000
Construction of the interceptor sewer	190,000
Engineering services for both the plant and sewer	58,000

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*Pages 383-384—Hearing IV.

**Pages 277-279—Hearing IV.

These estimates do not include interest and amortization nor a collection sewer system, which is ineligible for EPA grant assistance.

Annual operation and maintenance cost for such a system would be in the range of $22,000.

The Federal water pollution control program has in the past provided substantial assistance to smaller communities. In the past the great majority of projects supported under the Federal Water Pollution Control Act—85 percent of the total—have been placed in communities of less than 25,000 persons, and 50 percent in communities of less than 2,500. As of April 30, 1971, out of a total of 11,761 projects, 7,318 were in communities of under 5,000; of these 5,653 were in communities of 2,500 or less.

We have requested sufficient funds, $6 billion, to cover the Federal share of all municipal treatment water pollution control needs. Our $12 billion estimate of total needs was determined from information provided by the States, direct contact with major cities, and our own studies and statistical analyses. Our estimates are intended to meet all eligible requests for funds, regardless of how small the community or the request is.

In order that rural communities will meet water quality standards, which will be enforced with as much vigor in rural areas as elsewhere throughout the Nation, we have taken into account their present financing needs in the following way: In December 1970, EPA estimated that the cost of constructing sewage treatment facilities in municipalities throughout the Nation to meet water quality standards and enforcement requirements, through fiscal year 1974, was approximately $12 billion, as noted above. Given that the approximately 9,000 projects which comprise the $12 billion are spread in communities throughout the country in the same manner as projects previously assisted by EPA, it is estimated that 17 percent of the $12 billion is for communities with populations of 5,000 or less. Therefore, approximately $2 billion of the constraction needed through fiscal year 1974 would be in municipalities with populations of 5,000 or less.

Joseph C. Brown, Vice President and General Manager, Dierks Divisions, Versus Weyerhaeuser Co., Hot Springs, Ark.*

A further concern was directed toward the adequacy of sewerage and water systems to cope with increased community usage. Although some progress has been made, there are still major problems.

If impaction problems are to be moderated, early action in regard to water and sewerage facilities is essential. The various Federal assistance programs which are available should be made more responsive.

Again, it is the old chicken-or-egg problem. We were determined not to encourage development of "rural slums," and agreed wholeheartedly with Federal regulatory agencies that planned and adequate water and sewerage facilities, roads and streets, underground powerlines, green areas, and other amenities should be a part of the package, Unfortunately, these features add substantially to first costs and must be absorbed by the buyer whether he wants them or not.

What we are seeing, at least partially as a result of these costs and delays, is a proliferation of clustered mobile homes which simply

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*Page 43–44—Hearing V.

"hook on" to existing facilities or jerry-rig their own facilities to less demanding specifications; thus the shared intent to do the job right and conform to specifications set up to meet commendable long-range Federal lending agency requirements has produced relatively few new home occupancies, but has resulted in a substantial number of trailer homes. These add very little to the county and school district tax rolls and simply postpone the inevitable day of reckoning with water, sewerage, and solid waste disposal problems in some of these communities.

The small town of Wright City was unable to obtain a farmers home loan to install a modern water and sewerage system sufficient in scope to allow for any grwth cushion whatever, since it could not demonstrate financing of bonds on the basis of existing houses and cash flow.

To enable the community to meets its expected needs, Weyerhaeuser Co.—from its own self-interest—is entering into a guarantors' agreement with Farmers Home Administration, with a contingent liability to the company in excess of $300,000.

Presumably, adequate financing support would ultimately have been available to Wright City—after it had experienced population growth and too late to meet the initial need. More latitude should be allowed by governmental agencies when considering matters of this nature. Long-range and coordinated planning is essential.

Another area where more flexibility would seem to be desirable is in regard to assistance for financing hospital and other medical service facilities. In McCurtain County a new general hospital—for which we will provide the land—has been in the planning stage for some time.

As I understand the situation, a cost of $3.5 million is presently projected, of which $433,000 would come as a grant from Hill-Burton funds. The remainder must be obtained through private financing and contributions, and this is very difficult for a small community with a limited tax base.

RURAL HEALTH: OUR TOWN NEEDS A DOCTOR

STATEMENT OF BRADLEY FIELD, SOUTHEAST NEBRASKA COMMUNITY ACTION COUNCIL, HUMBOLDT, NEBR.*

None of our counties, none of our cities, have public health services locally available. There is a shortage of doctors, a shortage of nurses.

My agency just this last month tried to hire a registered nurse to head a new program. It was impossible to find a nurse in our area who wanted to work, who wasn't already working for the hospitals and the hospitals need more people.

I think it is wrong for us to come to you and say that the ills of rural Nebraska can be solved by more money because I don't think this is the only answer. But perhaps through the Department of Health, Education, and Welfare or some other appropriate vehicle it would be possible for stress to be placed on the greater assistance for rural areas to have health services for people who cannot afford to drive 60, 80, or 100 miles to urban areas such as Omaha and Lincoln.

MAYOR ROBERT A. PHARES, NORTH PLATTE, NEBR.**

One of the problems is very serious at least in our area and I am sure in some of these other gentlemen's communities as well. We have a serious health care problem. Even in cities of 20,000 as well as those of 2,000 we have a doctor problem of providing adequate medical care for these people who would like to live in our community. The average age of our physicians is too high; the patient load is too high, and some way, somehow, we must find some method by which we can update our facilities and attract more of these medical people into our rural areas. I think it is a thing that is rapidly approaching some crisis areas.

STATEMENTS OF MERLE E. DAVIS, MAYOR, MAPLETON, IOWA, AND PRESIDENT, NORTHWEST IOWA MAYORS ASSOCIATION AND ELMER H. VERMEER, DIRECTOR, LOW-RENT HOUSING PROJECT, NEW HOMESTEAD, SIOUX CENTER, IOWA***

I. *Health care in rural areas.* The specialization and sophistication of health care tends to follow the out-migration of population from the rural area, and as a result, under present systems for the delivery of health care, the rural area will find itself farther and farther away from health facilities and personnel. No matter what pattern is indicated in the future for *payment* of health services, the natural operation of economics will deprive sparsely-settled rural areas of adequate health service. I believe that reversal of this process can be achieved by massive increases in the supply of health manpower at every level.

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*Page 190—Hearing V.
**Page 211—Hearing V.
***Page 384—Hearing III.

with special inducements to health practitioners to locate in rural areas. As an example, at the present rate of attrition, very shortly there will be no general practitioners left in any of the smaller communities. This is not a complaint or attack on any professional group; it is a reminder of society's failure, and unless the situation is corrected, small communities are doomed.

STATEMENT OF DENNIS Q. OPHEIM, DIRECTOR, TRI-COUNTY APPALACHIAN REGIONAL HEALTH PLANNING COMMISSION, DECATUR, ALA.*

A shortage of physicians and allied health personnel has reached the critical point in rural America. It has become commonplace for these health providers to be required to work sixteen hours a day and more, seven days a week, in order to furnish the most basic and necessary health services. This pace is a killing one, and is not conducive to enticing these essential health providers to remain in a rural environment. Furthermore, these conditions act to discourage newly graduated medical and allied health students from establishing their practice in these rural areas. A position as a resident physician at a large regional or metropolitan hospital offers the young graduate a much lighter work load, a large support staff, and all the newest medical equipment available. With these incentives to remain in the large urban areas, it is no small wonder that only a meager few return to the rural areas to practice their professions.

The physicians and allied health personnel now practicing in rural areas are either retiring or migrating to urban areas and they are not being replaced. This trend has left counties and even groups of counties in Alabama without access to a physician. Unless this trend is checked and reversed, we will witness a further de-population of rural areas and more rapid deterioration in the quality of health care.

Checking and reversing this trend has become one of the major concerns of the Tri-County Appalachian Regional Planning Commission—Alabama's 202 health demonstration project funded through the Appalachian Regional Development Act of 1965.

The Tri-County Appalachian Regional Health Planning Commission has been vitally concerned with the impending crisis in health services in this area. This area has been fortunate to have available the funding resources of the 202 program of the Appalachian Regional Development Act, working in partnership with local, state, and other Federal programs. This partnership has made possible a realistic approach to assisting the health needs of rural and urban citizens and for developing the rationale for implementing health programs.

The passage of the Appalachian Regional Development Act in 1965, set in motion a large and comprehensive effort to narrow and ultimately eliminate the wide social and economic gap between Appalachia and the rest of the nation. A special provision of this Act, Section 202, was specifically directed toward improving health conditions by establishing multi-county health demonstration areas within each state.

The Tri-County Appalachian Regional Health Planning Commission was designated in 1968 as Alabama's "202" Health Demonstration Area. Since 1968, due to Appalachian funding, unprecedented strides have been made in this demonstration area of improve methods of delivering health services. Local involvement of both urban and rural people has assisted our local health planning agency to recognize in its responsibility for the coordination of health planning, as an innovator in the health field and as a stimulator for developing new approaches in delivering health care.

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*Pages 770–772—Hearing III.

Several recommendations made by the President's National Advisory Commission on Rural Poverty appear to be in accordance with the philosophy of the Appalachian Regional Commission.

> "The Commission recommends that the United States adopt and put into effect immediately a national policy designed to give the residents of rural America equality of opportunity with all other citizens. This must include equal access to jobs, medical care, housing, education, welfare and all other public services, without regard to race, religion, or place of residence."
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> "The Commission is deeply concerned at the evidence of disease and the lack of medical care in rural areas. The Commission, therefore, recommends rapid expansion of health manpower—both professional and subprofessional—in rural areas, and the establishment of Community Health Centers which can focus on the health needs of rural people . . ."

The Tri-County Appalachian Regional Health Planning Commission has taken asserted action toward improving the delivery of health care in rural areas. In converting our concern into action, efforts have been concentrated in the following area:

1. *Alleviating the shortag of health manpower;*
2. *Upgrading the physical facilities for health care delivery;*
3. *Improving the quality and accessibility of rural health care services; and*
4. *Stimulating and developing innovations in the health field.*

Health Manpower Program.—Health manpower training programs have received primary emphasis for the demonstration area. Associate degree programs in nursing and medical records technology, instituted at the local junior college, provide stipend support to disadvantaged rural and urban students. It is believed that if the opportunity to study locally is offered to area students, it is likely that they will remain in the general locality to practice their skills. For those health occupational programs not offered locally, stipend support is provided area students to attend the University of Alabama in Birmingham. An additional program provides for the employment of advanced medical and paramedical students in area health facilities during their vacation periods. This exposure enhances the recruitment potential for the students following their graduation to work in a rural area.

This organization has adopted a regional philosophy for the training of health manpower and has cooperated with the University of Alabama in Birmingham, the Alabama Education Department and area colleges in order to avoid duplication and fragmentation of training programs for health workers.

Health Facilities.—The Tri-County Appalachian Regional Health Planning Commission believes that rural health care delivery can be improved through the upgrading and expansion of health facilities that are easily accessible to rural areas. In accordance with this belief, several projects have been initiated which focus on equipment, renovation and construction of health facilities in the tri-county area. These efforts have established a cardiac-intensive care unit and physical therapy unit in each public hospital in the three counties. Additions have been constructed at the rehabilitation center and public hospitals in two of the counties, and extensive renovation and remodeling has been accomplished at all three hospitals. Also, new buildings are being constructed in which to house county and district health departments.

Health Services.—The major emphasis of the demonstration project will continue to be placed on the improvement of the actual health care services that are delivered to the individual citizen. Programs were initiated in this health demonstration project to improve general health care delivery services such as dental health, public health, emergency services, mental health, and mental retardation.

Steps were taken to provide preventive and restorative dental services to urban and rural indigent school children. A comprehensive dental health education program and a program to aid local communities in fluoridating their water supplies were also implemented.

A regional approach to delivering public health care was designed which incorporated as components the existing county health departments in Lawrence, Limestone and Morgan counties under one public health officer and a centralized expanded staff. The public health services rendered by this organization are heavily utilized by the rural residents of these counties.

In order to improve emergency services in the tri-county area, an effective radio network was implemented to provide communications capabilities between area physicians, hospitals, ambulances, and police and fire departments. Training is being conducted to upgrade the skills of those individuals who might be required to render emergency medical care. Also, adequate configuration and operating standards were established for ambulances.

The recent increase of interest in and concern for mentally disturbed and retarded individuals has caused a trend toward the concentration in this area of treatment services for these ailments. Two developmental centers for the mentally retarded have been established in Decatur. One center, which is to be merged with the five city and county school systems, serves the Tri-county area. The other larger, state-operated center serves the thirteen counties in District I. A mental health center and an alcoholism center have been established to serve Lawrence, Limestone, Cullman and Morgan Counties. Satellite clinics and buses operated by these organizations furnish access to these services for those in the rural area.

Innovations.—It is expected that future health care delivery systems will be developed through innovations in the health field. The *Lawrence County Health Care Project* was designed as an innovative approach for the delivery of rural health care. This effort has been acknowledged by the 24th National Conference on Rural Health and the American Medical Association as a significant and innovative model for rural health care delivery. The *Lawrence County Health Care Project* was developed as a result of cooperation between the local community, the Alabama Regional Medical Program, the Atlanta Office of HEW, the University of Alabama in Birmingham, and the local Health Planning Commission. In addition to initial planning efforts, a MEDEX Training Program has been established by the University of Alabama Medical Center in Birmingham to provide Physician's Assistants to work in this program. It will be further enhanced by the establishment of the Family Practice Residency Program at the University of Alabama in Birmingham and the placement of residents in the rural area

Another example of an experimental approach is that consultation services from the staff and faculty at the University of Alabama Medical Center in Birmingham have been made available via WATS line to all health personnel in the tri-county area. To promote better continuing education, health personnel from this area may request tapes to be played from a central tape library, and they may also request information through a reference service at the University Reference Library. Another innovative feature of this program is that physicians from this area may transmit electrocardiograms via telephone to the Myocardial Infarction Research Unit at the Medical Center for interpretation or consultation. It is felt that this service will bring the advancements, expertise, and resources of the Medical Center to the local health personnel and enable them to provide better health care, keep them abreast of new discoveries in the health field and add to their overall supply of information and resources.

The significance of the Appalachian "202" Health Demonstration projects is the emphasis given to the delivery of health services. These demonstration areas in these states have experimented for the past three years with new approaches for development of health manpower, delivery of health services, as well as experimenting with the existing health delivery system. The most significant contribution of the Appalachian "202" Health Demonstration Projects has been the effort exerted in the revision and refinement of the annual Health Development Plans. On the basis of revisions to the annual Health Development Plans, a cycle of events occurs; i.e., identification of objectives, development of broad programs and component projects relating to objective accomplishment, submission of projects, approval of projects, implementation of projects, and evaluation of on-going programs.

It has been our pleasure to share with you some of our approaches for improving the delivery of comprehensive health services to our rural population. We would be glad to share any additional information which would be of assistance.

DR. THOMAS N. LYNN, CHAIRMAN, DEPARTMENT OF COMMUNITY HEALTH, UNIVERSITY OF OKLAHOMA MEDICAL CENTER, OKLA. CITY*

Dr. LYNN. The University Oklahoma Medical Center has as its primary mission education and continues to have this. However, in about 1964 the administration of the medical center felt that it should devote itself to the solution of some health problems other than just by the educational route.

One of these that presented itself in a major way to Oklahoma was, "Why are there not doctors in rural Oklahoma"? "Why are they leaving"?

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*Page 65, 66, 73, and 74—Hearing V.

We questioned some people who were returning to our residency programs for specialty training who had been out in rural practice and they would come back and say, "I cannot take it. I am on call 24 hours a day, 7 days a week. There is nobody to relieve me. I am trapped and I cannot stand it any longer."

They also tell us that they have no other professional colleagues to talk with—nobody with whom to have day-to-day conversations about whatever doctors talk about. This is why they return.

They also mention the community itself. They felt that the school system was not up to the quality which they would like to have their children's education to be handled through and lack of other cultural advantages.

Well, looking at this, the medical center felt that it could work with a small community to see if some of these problems could be overcome and get some medical care back to a community which did not have it. The community of Wakita presented itself and thereupon began a partnership which continues to this date.

The citizens of Wakita, via a local corporation, floated a self-liquidating bond issue and, with the help of the medical center, designed a facility to really be the kind a physician should like to practice in. It had under one roof a nursing home, an extended care facility, a nonsurgical hospital, a pharmacy and offers space for three physicians, offers space for people to extend the care of the facility out to the community such as a public health nurse and social workers, a small emergency room and a small obstetrical facility.

This happened. Things went along reasonably smoothly. The facility was opened in 1968 and recruiting for physicians to man this was undertaken and the first physician was recruited to begin practice there in 1969.

I might add that from the time that the facility was opened, they had round-the-clock medical coverage by faculty generally from the University of Oklahoma Medical Center, who drove 130 miles and stayed there for periods of time.

The future of Wakita now looks assured. It is functioning. It is providing good health care. It has had however, problems in its development. Not the least of these has been Federal regulations regarding staffing patterns in health facilities; that is, in hospitals, nursing homes and such as that.

For instance, we have to have two directors of nursing, one for the nursing home and one for the hospital, and they may both be there at the same time even though they are working out of the same nursing station.

Senator CURTIS. May I ask a question right there?

Dr. LYNN. Yes, sir.

Senator CURTIS. Is that required by statute or is that by regulation?

Dr. LYNN. It is by regulation.

Senator CURTIS. They ought to tear it up. That is just ridiculous.

Dr. LYNN. In summary, I would make the following recommendations to you:

(1) That small rural medical centers be set up only on a regional basis, relying on transportation to bring the people to a center where minimum of three physicians may practice together, and that reliance on solo practitioners in very small towns be discouraged;

(2) That increased attention be given to the role of other members of the health team (i.e., physician's assistants) in the expansion of physician services, particularly in rural areas;

(3) That some sort of enticement be designed for physicians who go into rural practice, such as initial income augmentation, deferment from the draft, et cetera;

(4) The university medical centers be encouraged to devote more of their attention to rural health care; (*a*) regarding primary care; (*b*) regarding the augmentation of continuing education programs for physicians in rural areas;

(5) That a careful look be taken at State and Federal regulations which inhibit development of innovative local solutions to problems, and that greater flexibility be allowed in this area.

Thank you very much.

Senator BELLMON. Doctor, just one quick question.

Based on your testimony, you appear to be recommending that something similar to what was done with the establishment of the vocational technical school districts in Oklahoma be established as far as setting up rural health clinics. You know, when we put together the plan for the VoTech schools, we required that the area have at least 40,000 people, and I believe a $40 million valuation.

Are you suggesting that there be some kind of a Federal matching fund for a rural clinic if it will serve a population large enough to justify three doctors and the paramedical people that it requires?

Dr. LYNN. I am not sure I would make the exact parallel, but some kind of encouragement should be given toward this. I would say a minimum of three physicians serving a population of ten thousand people, or seven thousand might be more accurate, that sort of thing be encouraged rather than what Hill-Burton has done in the past, and that is go out and help with the financing of hospitals in communities of 1,000 population where there is no doctor or the doctor is 70 years old or something.

We have monuments all over Oklahoma that Hill-Burton built that are empty.

Senator BELLMON. Would you put together a reasonable set of specifications that you think would help identify a viable community for the creation of one of these Federal——

Dr. LYNN. A viable health district?

Senator BELLMON. Yes.

Dr. LYNN. Okay.

Senator BELLMON. Would you do this?

Dr. LYNN. Yes, sir.

(The information is as follows:)

RURAL HEALTH CARE

That the quantity and frequently the quality of health services available to vast reaches of rural America is insufficient, appears at this time to be accepted by most. At least some of the reasons for the inadequacies also appear equally obvious. Although, I shall be referring for the most part to physicians, the statements can be applied to a somewhat lesser extent to other members of the health professions.

I. The physician-patient ratio in rural areas is significantly less than in urban-suburban areas of the United States. This is occasioned not only by failure of young physicians who are recent graduates of educational programs to go into rural areas to begin their practice, but also due to physicians already in practice in rural areas leaving to return either to various educational programs leading to specialty careers or to urban areas where association with other physicians, etc. are available. This sort of physician and health personnel behavior regarding practice in rural areas appears to be strongly related to a pattern of solo practice which has developed in rural areas over many years and which has not changed toward group practice to the extent that it has in urban areas. The phenomenon of group practice relieves the physician of the burden of being continuously on call 24 hours a day, seven days a week, and makes life generally more pleasant while providing for a continuity of medical care for the patients of the "group." The group practice also makes available to the physician easy consultation with his colleagues, which is considered a distinct plus by most who practice medicine. Other reasons for physicians not returning to rural areas include the real or imagined difference in quality of life that he perceives between the urban and rural setting. In small towns, he notes an inferior education for his children and a paucity of recreational features such as theater, symphony, museums, evening entertainment, etc., to which he has become accustomed during his training which by and large has occurred in relatively large cities.

II. There has been a general trend of population migration from rural to urban areas leaving many health facilities partially vacant. With an inadequate population to support an already existing facility, its continued operation becomes uneconomical.

A suggested solution for this would be a rural program for medically underdeveloped areas.

1. Rural Health districts should be formed in areas in which certain things could happen that do not happen in the remainder of the country regarding the provision of health services. The Kaiser-Permanente Organization found that approximately one physician per 1,000 population is sufficient to provide comprehensive care. In this situation, however, we are concerned with the primary care with referral of specialty problems into a urban area. It would, therefore, appear that an approximate physician-population ratio should be one physician per 2,000 population. Reliance on transportation of the patient to the physician should be sought rather than putting physicians' services on an isolated and dispersed pattern. These should be arranged so that the center of practice for a group of physicians is no more than approximately 30 minutes by ground transportation from the furthest patient that it serves.

2. In rural health districts, encouragement could be given physicians to begin practice by:

(*a*) Deferment from draft for as long as they continue to practice in this district.

(*b*) An income tax write-off.

3. Physicians, in order to qualify for these benefits for returning to rural practice, should, if possible, develop an association with a minimum of two other physicians such that easy consultation is possible, and evening, nighttime and vacation coverage can be obtained.

4. In this rural health district, staffing patterns in health facilities, i.e., (nursing homes, hospitals and extended care facilities) should be sufficiently flexible so that maximum advantage may be taken of available health personnel. These facilities should not be required to meet all of the criteria generally required regarding personnel staffing patterns.

5. Also, in the rural health district, special provisions should be made for continuing professional and general education of the health personnel, via extension divisions from universities for the general education and from university medical centers for the continuing health education.

6. More extensive use should be allowed for other helping personnel such as the physician assistant. It is quite possible that intelligent use of these people will decrease somewhat the absolute number of physicians needed in any particular area.

7. As a part of this general program, increased encouragement should be given to university medical centers to develop educational programs which emphasize primary health care delivery, rather than education which, per se, leads toward an ultimate specialty choice.

Dr. Roger D. Mason, President, Nebraska Medical Association, McCook, Nebr.*

First, let me say that Nebraska is much like the rest sof the United States in that the problems of health care delivery are quite variable in different sections. Providing for the care of the sick, injured or aged in eastern Nebraska, in relatively close proximity to Omaha or Lincoln, is quite different from providing that same service in the sandhills or here in Southwest Nebraska. Outstate Nebraska, that area outside metropolitan Omaha and Lincoln, is made up of about fifteen minor population centers each serving a relatively large agricultural territory. In eastern Nebraska we have two Indian reservations presenting their unique problems and along the North Platte River through the Panhandle there is a concentration of transient Mexican-American population. Many of the service communities in Nebraska are close to bordering states—such as McCook, Scottsbluff, Hastings and Beatrice—which creates some problems in programs such as Medicaid.

While discussing Nebraska's problems, medical manpower distribution must be considered. In this regard, I would like to present a few figures which will illustrate my point, I think. On a state-wide basis in 1940, the physician population ratio was 1:940 and in 1970 this ratio had dropped to 1:925. However, in the same thirty years, the area outside Omaha and Lincoln went from a ratio of 1:1149 to a physician-population ratio of 1:1405. What I'm saying is that statewide we have done a good job of retaining physicians in Nebraska but the rural areas have lost ground.

In considering these figures I believe they should be tempered with consideration of improved medical facilities, better transportation, etc., which has increased the productivity of our physicians.

Nebraska medical manpower discussions in the past have usually come around to mention of the fact that thirteen of our ninety three counties have no physicians. It should also be indicated I believe, that nine of these thirteen counties have a 1970 census of 1,054 or less. With fairly adequate roads and transportation most of these areas are reasonably close in time to surrounding medical facilities.

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*Page 341—Hearing V.

Throughout rural Nebraska, we have had some difficulty in providing allied health services, notably in the fields of social workers, physical therapy, and neurology. At present, these services are available but primarily only with considerable expenditure for travel.

After mentioning some of the problems in health care in rural Nebraska, I would like to briefly mention some of the existing programs aimed at solution of these problems. In order to reduce the time involved in giving my oral remarks I have here some material prepared by the University of Nebraska College of Medicine and the Nebraska Regional Medical Program. I would like to ask that these reports be added as an appendix to my remarks.

To first mention some of the programs which we in Nebraska feel are of proven value, I would like to discuss the preceptorship portion of the University of Nebraska curriculum. This is a four week required exposure of senior medical students to rural practice. The student may select any of fifty practicing physicians in outstate Nebraska to spend this period of time with. We feel this program has been instrumental in locating younger physicians in rural Nebraska.

Rural Health Day is held once a year in Omaha as a cooperative effort between the University of Nebraska, Creighton University, The Academy of Family Practice, and the Nebraska State Medical Association. Every town in our state is invited to send representatives to discuss possible future location with the medical students. This program too has been effective in securing psysicians for rural Nebraska. One important ancillary benefit has been that the students have educated the communities as to factors important in attracting today's young physician.

The new Action Agency program inaugurated as a consolidation of Vista and the Peace Corps is being promoted at the University of Nebraska College of Medicine. In our state, this is known as NOVA (Nebraska Opportunity for Volunteers in Action). The target date for these students to begin service is September 26, just 17 days from now.

There are two unique programs in Nebraska aimed at improving medical services in rural Nebraska which I would like to mention. Creighton University has recently begun teaching some of their medical students to fly. The purpose behind this is to increase the rural physicians access to surrounding medical centers for referral as well as post-graduate education.

In addition, and under the sponsorship of the Nebraska Regional Medical Program, a 12 foot by 60 foot mobile trailer unit is operational in Nebraska. This is a cancer screening unit aimed at the most common cancer sites. This unit is programmed to supplement the care of patients in areas of low medical manpower as well as the Indian reservations. It will also supplement service to the migrant worker population.

One additional program deserves mention since it is aimed at improving the quality of care as opposed to programs aimed at the quantity of health services. This is the Coronary Care Training Program, again under the sponsorship of the Nebraska Regional Medical Program. To date 806 nurses and 55 physicians have been trained in the newest techniques of caring for the patient with coronary occlusion.

Mr. Chairman, I can sum up my remarks by saying that the provisions of services and improvement of the socio-economic status of outstate Nebraska is a pre-requisite for preventing the loss of population in our rural communities. These problems are complex to identify as well as to solve.

Thank you for the opportunity to present this statement on behalf of the Nebraska State Medical Association and the people of Southwest Nebraska.

Model rural health care system

An important recent development has been the efforts made to establish a Model Rural Health Care System. In the summer of 1971 the Board of Regents of the University of Nebraska entered into an agreement with the Trustees of the Community Hospital, Inc. of Broken Bow, Nebraska, to provide for a joint cooperative program for the development of such a system. The program ecompasses several goals and objectives.

The program will have, among its objectives, 1) the providing of the same quality of health care to persons living in the area served by the Community Hospital, Inc. as is available to persons living in the metropolitan areas of Nebraska, and 2) the training and education in rural health care of medical and nursing students, graduate physicians, and allied health personnel at the University of Nebraska Medical Center.

The program is under the direction and supervision of a coordinating committee consisting of the chairman and four additional members. Two of the four additional members of the committee are appointed by Community Hospital, Inc. and the remaining two members of the committee are appointed by the Chancellor of the University of Nebraska Medical Center. It is expected that the program will facilitate the availability and accessability of health services in a representative rural area using the cooperative efforts of federal, state and local governments, the University and individual physicians in other private sectors of the community. It should provide for the reeducation of health care providers and consumers toward more efficient use of the variety of health resources available. It should also provide quality health care at reduced cost through prevention screening, early diagnosis, and increased use of ambulatory care.

Nebraska Opportunity for Volunteers in Action (NOVA)

Students at the University of Nebraska College of Medicine participate in the University's system-wide, federally-financed volunteer services program known as Nebraska Opportunity for Volunteers in Action (NOVA). NOVA is sponsored by ACTION, a federal agency which combines the Peace Corps, VISTA, and other volunteer service agencies. The medical students will begin their volunteer service about October 1, 1971.

Three projects are being developed for student placement in the program. Five students will be at the Douglas County Hospital Annex and the pavilion section of Douglas County Hospital which have a patient population of over 300 persons. Each medical student will be in charge of a section, and will serve with a medical faculty supervisor to help provide care for the patients as well as coordinate the activities of allied health professionals and other NOVA workers who are oriented toward the social sciences. One student will be at Broken Bow, Nebraska and will study ways, under local physician supervision, to coordinate the delivery of health care with the activities of several health and welfare agencies. Subsequent volunteers at Broken Bow would then, under supervision of local physicians, deliver the health care called for in the first organizational plan. Six students would be assigned to the Winnebago and Pine Ridge Indian reservations and the migrant Mexican-American residents in the Scottsbluff, Nebraska, area to work toward the development of public health nursing, well baby care, nutritional education and social agency coordination. These students would also work under local medical supervision.

DIVISION OF RURAL HEALTH

Rural communities today are changing in countless ways: in numbers and age of the population, technology, social organizations, and sophistication in demands for all types of services, including health care, and improved access to these services.

Nebraska is faced with the related problems of a shortage of physicians in rural areas and the aging of those doctors who are available. Compounding these problems are the special health needs of rural areas, incurred because of recreational developments, environmental hazards of agriculture, and the high accident rate among farmers.

A new approach offers promise for the future. In August 1971, the University of Nebraska Board of Regents created a Division of Rural Health at the Medical Center. This division will include faculty members from the departments of family practice, internal medicine, pathology, obstetrics and gynecology, pediatrics, phychiatry, surgery, radiology, and preventive medicine. In addition, advisory representatives will be sought from the State Health Department, Comprehensive Health Planning and the Welfare Department. To work toward the goal of improving health care in rural areas, the division plans to undertake several types of programs.

1. A model community health program. The Medical Center has the resources and personnel to make necessary observations and offer a basis for comprehensive health services. There is indication that communities needing services will be interested in collaborating such as has already developed in Broken Bow. Plans are being made to use modern technology to bridge the communications gap between the Omaha Center and the rural area, thereby offering the latest services and information to the rural community.

2. A public education program will be necessary to show individual rural communities the advantages of health care centers utilized by several communities. These educational efforts can help the community understand the benefits of recruiting groups of physicians on an area-wide basis, rather than striving for one physician in each community. This program will be coordinated with the newly established Physician Information Exchange of the College of Medicine to match communicated requests for physicians with medical students interested in community practice.

3. Each community must critically appraise its situation to determine the most feasible arrangement for meeting its health care needs. The Division of Rural Health would work with the communities in outlining their needs.

4. Most patients can travel some distance to a physician without undue hardship. However, when age, infirmity, or depressed economic conditions make it impossible for a person to go to a physician, a mobile health office with allied health professionals and a simple laboratory might to the patient. In some very isolated areas, it might be most practical to design permanent satellite clinics staffed by physician's assistants, serving like corpsmen in an isolated military post or on a ship. Other allied health professionals could be added as needed.

5. Modern methods of communication can provide rural physicians with more information than any one of them could retain or even file. Information regarding patient history, or consultation with experts is possible with an adequate communications system. Reviews of medical topics, seminars and lecture courses can also be transmitted long distances without the need for the participants to spend time in travel.

STATEMENT OF DR. CLIFTON K. MEADOR, DEAN, SCHOOL OF MEDICINE, UNIVERSITY OF ALABAMA, BIRMINGHAM, ALA.*

In summary, these articles say that rural America is short in all categories of health personnel and that the situation is getting worse. They indicate that towns of less than 1,000 people with one remaining doctor (usually a physician in his late fifties) will probably not be successful in getting another doctor. They point out that professional attractiveness is related to the total cultural, social, and economic advantages of a region and that doctors, like people in general, tend to move into areas which are growing economically and culturally and which have educational advantages for their children. In this regard, the physician's wife's attitude ranked very high in reasons for a physician locating or not locating in a small community.

These articles, in a more positive vein, indicate that a majority of smalltown physicians grew up in small communities, chose to practice there because they liked small-community living and because they had the opportunity to build busy practices quickly. Finally, they point out the increasing trend toward group practice in the smaller communities which are successful in having higher physician-population ratios than neighboring communities.

Two years ago, the school of medicine (UAB) developed an information system for the physicians of Alabama. This system permits any physician in the State to call day or night, toll free, a panel of specialists at the medical center. These specialists, who are members of our faculty, carry electronic signaling devices and can be located within minutes of an incoming call. The physician in practice thus has immediately available to him someone for consultation; or if needed, someone who can relay, through our library, the latest article on the subject in question. The faculty member soon gets a feel for the problems of the community and an appreciation for the needs of the practicing physician. By recording these calls, we can accumulate lists of problems for incorporation into more formalized continuing education courses, or for incorporation into our medical school curriculum. This minute-to-minute, day-by-day system provides continuing education of the best kind; it focuses only on the problem at hand, on the information that the physician needs and at the moment he needs it.

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*Pages 677–687—Hearing III.

In its 24 months of operation, we have received and responded to 14,000 calls—an average of 580 calls per month. We have received calls from all but one county in the State—that county has no physician. Over one-third of all the physicians in this State use the system on a continuing basis.

Through this telephone system, we have developed an informal arrangement with the helicopter base at Fort Rucker, and thus have been able to follow up telephone calls with flights of rare medicine to remote areas, transportation of acutely burned or injured patients to the medical center, or movement of specialized equipment, such as respiratory units, to small communities.

Many times, with proper information, the smalltown physician is able to care for the patient in his hometown rather than refer the patient. For example, we use the system heavily for week-by-week dosage adjustment of the newer, more toxic cancer drugs without the patient ever leaving his hometown.

Surveys of users of the system have revealed such statements as "It's like having a partner in practice," or "I usually know what to do, but I need the psychological assurance of someone in that speciality," or "We have no specialists in our community, and this system gives me the kind of backup I need."

The school of medicine believes that this information system combats some of the professional isolation of the smalltown physician and thus will be a factor encouraging future physicians to move into these communities.

Finally, it provides for rapid dissemination of the latest knowledge and, therefore, should make the very best medical care available to all of our citizens, wherever they may live.

2. DEVELOPING NEW PROGRAMS TO REDUCE THE WORKLOAD OF RURAL PHYSICIANS—MEDEX TRAINING PROGRAM FOR PHYSICIANS' ASSISTANTS

The emergence of a variety of new kinds of assistants to physicians is widely known. For several years, the department of surgery at UAB School of Medicine has been training surgeons' assistants. More recently, the school of medicine and its newly created division of family medicine have initiated a program (Medex) for retraining the returning military corpsmen for civilian medicine. Copied after the program in the State of Washington, these experienced corpsmen are matched with a physician already in practice prior to the training phase. Over a period of almost 1 year, the Medex alternately spends 1 month at the medical center and 1 month with the physician in practice. By this arrangement, the trainee is trained for a particular type of practice, and thus he is taught those skills which are desired and needed by the physician and his patients. Currently, we have 23 Medex trainees matched with physicians in rural practice throughout five States of the South. All will complete their training this August, and hopefully, all will remain in practice with their physician.

These assistants will do many things traditionally done only by physicians, thus freeing the physician to do those things that only he is competent to do. The Medex will be able to gather data, order initial laboratory or X-ray tests, suture simple lacerations, dress wounds, remove casts, and so forth. The physician is still the individual responsible for the care of the patient and thus makes the therapeutic decisions and performs those procedures that only he is trained to do.

Patient acceptance has been remarkably good, and the program already has made an impact on the lives of the physicians who serve as preceptors. Even if this program leads to no significant increase in delivering health care, it will be successful because of changes in the way of life for the rural practitioners. Interviews with these physicians already indicate a change in their mode of living. They are more relaxed, have more time for their family, do things that are more professionally rewarding, and in general, feel that they are giving better care to their patients than they were prior to having an assistant.

Again, we believe this new style of practice with well-trained assistants will be appealing to future physicians, and that more of them will choose to practice in the smaller communities than have in the past. Furthermore, studies indicate that these assistants do make the physician more efficient. An increase in efficiency among several doctors would be equivalent to putting a new doctor into practice.

3. DEVISING NEW WAYS OF PRACTICE—THE LAWRENCE COUNTY PROJECT

For several years, the medical center has been searching for a way in which we could make the greatest impact on the problems of rural health care. Obviously, we could not enter directly into delivering health care in all of the areas of need in the State, nor could we dilute our primary mission of training physicians and other health professionals with excessive commitments to patient care in areas remote from the university. Our thoughts centered on somehow developing a model of rural health care that might be reproduced elsewhere in the State or Nation.

When approached 2 years ago by virtually all of the physicians of Lawrence County for help, we moved to join with them, the Appalachian Tri-County Commission (one of the 202 demonstration areas), the hospitals of Lawrence County, and many of its citizens to develop a new system of health care. It grew out of local concern and local commitment. Its constraint from the outset was that it be eventually self-sustaining and that it be a system which could be reproduced in other rural areas; in other words, a system not dependent on outside funds for its existence. While it is true that Appalachian funds have been used, they have not been used to bring in a large number of nonlocal health workers who, when outside support stops, would leave. Appalachian funding has been directed at planning with the local physicians and citizens at providing for educational costs for local people to be trained locally or at the University of Alabama in Birmingham Medical Center, and at evaluating the effectiveness of the new system. It is planned that personnel and other costs will be carried by local funds once the system is operational.

The physicians in the project, now numbering five, care for 30,000 people. Each has agreed to participate fully in the program by using the Medex assistant, by allowing very careful audit of his practice for such things as methods of patient care, referral routes, logistics of patient flow, and the economics of his practice. In addition, outreach teams are being trained so that preventive and comprehensive care in the home will be more readily available to the people of Lawrence County.

The project has four general goals:

1. Improvement of the health status of the people of Lawrence County.
2. Improvement of their socioeconomic status.
3. Development of a system that will demonstrate that the first two goals are being achieved and that the goals are economically sound.
4. Conversion of the project into a permanent self-supporting system of health care that can serve as a model to other areas of Alabama and the Nation with comparable problems.

Again, it is a local project initiated by local physicians but with partnership with the University of Alabama in Birmingham Medical Center and the Appalachian Commission. The university will provide the educational resources for the training of local people and it will participate in the evaluation of the achievement of goals. Finally, when operational, we will send residents and medical students to Lawrence County so they can see and participate in a rewarding kind of service to patients.

By changing the life of the smalltown physician through new ways of practice, we believe that rural practice will be more attractive and that some of our graduates and others will choose it as a way of life. For these programs to be effective, these changes in professional life must be accompanied by improvements in the socioeconomic status of the whole community, a goal wisely chosen by the Lawrence County project and obviously a topic of major concern to this subcommittee. Health should not be viewed in any narrow sense. While we have appropriately focused our efforts to date on physicians, information systems, and new kinds of health workers, we are fully aware that good health is related to the totality of a community's cultural, economic, and educational status.

In this area of health that extends beyond medicine's traditional role, I would like to encourage a change already proposed for the Extension Service of the U.S. Department of Agriculture. We would all agree that prevention of disease is more desirable, less costly, and more effective than the treatment of an established disease. Effective prevention of disease depends upon properly informed and educated people. Ideally, this education should come from all sources; however, the Extension Service of the Department of Agriculture has a unique opportunity. With the network of county agents and home demonstration agents throughout the country, the Extension Service, with proper modification, could become a network for dissemination of health information. I know there is already interest in this sort of change and I would encourage support of it. By supporting linkages between medical centers and the Extension Service in each State, meaningful information could be spread constantly to the people of rural America, not just preventive measures but even simple self-treatment and health maintenance information.

The school of medicine has already prepared a tentative proposal indicating how such a linkage between our medical center and the

Extension Service in this State could be effected. We intend to initiate discussions with representatives from Auburn as to how we should proceed.

Self-reliance has been a traditional characteristic of rural America. The Extension Service, with proper input from the health professions, should build on this strength of the people and provide sufficient knowledge about individual health. Since health manpower will be short for some time to come, self-reliance in certain matters of health may be essential for those people living in truly remote areas.

I have described in detail only three of our programs directed at improving health care in rural areas and have made a specific suggestion for your consideration concerning a new and expanded role for the Extension Service.

In summary, the Medical Center of the University of Alabama in Birmingham is dedicated to relating its expertise to the practicing health professionals and through them to the people and patients of this State and region. We have actively engaged ourselves in developing new methods for communicating knowledge; in generating new kinds of health workers based on task analyses and needs assessments of the jobs to be done; in devising with the practicing physicians new systems for health care; in exploring uses of new technologies such as computer and multiphase laboratory surveying procedures; and in developing programs aimed at making the existing health professionals more efficient. In addition, together with the legislature and the Governor of this State, we intend to join our sister institutions in an ambitious expansion of the class sizes of all health professionals, physicians, dentists, nurses, and a wide variety of allied health personnel.

EXHIBIT II.—TABLE OF PHYSICIAN, POPULATION RATIOS, ALABAMA RURAL VERSUS URBAN PHYSICIAN MANPOWER IN ALABAMA, 1970

	Total		Urban [1]		Rural [2]	
	Number	Per 100,000 population	Number	Per 100,000 population	Number	Per 100,000 population
Alabama physicians	2, 800	83. 0	1, 600	113. 5	15	27. 3
Direct patient care	2, 200	65. 2	1, 050	74. 5	15	27. 3
General practitioner	850	25. 2	286	20. 3	12	21. 8

[1] 5 most populous counties.
[2] 5 least populous counties.

Note: "Adequate," 150/100,000; U S. ratio, 101/100,000

EXHIBIT III.—ALLIED HEALTH MANPOWER AVAILABLE, ALABAMA VERSUS NATION

	United States		Alabama	
	Total	Per 100,000 population	Total	Per 100,000 population
Pharmacists (1968)	124, 486	62. 3	2, 057	58. 4
Inhalation therapists (1969)	1, 025	. 5	4	. 1
Medical technologists (1969)	50, 000	25. 0	800	22. 7
Occupational therapists (1970)	9, 100	4. 6	20	. 6
Physical therapists (1969)	10, 397	5. 2	65	1. 8
Radiological technicians (1969)	55, 531	27. 8	672	19. 1
Vocational rehabilitation counselors (1969)	7, 282	3. 6	220	6. 2
Medical librarians (1970)	1, 771	. 9	20	. 6
Medical record librarians (1969)	3, 000	1. 5	30	. 9
Social workers (1970)	50, 000	25. 0	376	10. 7

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EDUCATION FOR A CHANGING WORLD OF WORK

WALLACE PETERSON, CHAIRMAN, DEPARTMENT OF ECONOMICS, UNIVERSITY OF NEBRASKA*

6. *Regional development institutes.*—The Congress should consider a modern-day version of the land grant concept by the establishment of a series of Regional Research Institutes whose purposes would be to provide badly-needed knowledge on population, resources, income, and all other facets of development to the communities within the region. The primary focus of such research should be on rural development. In the 19th century the land grant concept provided the means to transmit the fruits of agricultural research of the farm producer. Now we need a new and cooperative venture which will enlist the talent and energies available in several states in the problems of development that are common to the people and communities of an entire region. In the Great Plains area two such institutes might be created, one to embrace the northern tier of states and one in the southern part of the region. Through imaginative legislation it would be possible to link the Rural Development Bank and the Research Institutes together in a new and dynamic social institution which would not be a part of the Federal government, but a decentralized creative entity which would draw its basic talent, resources, and energies from the region it is designed to serve.

DR. J. C. EVANS, VICE PRESIDENT FOR EXTENSION, OKLAHOMA STATE UNIVERSITY, STILLWATER, OKLA.**

Senator Humphrey, I would like to make one point about your comment whether we send technical experts to communities. I said we did and we do. This takes resources and many institutions have never had an opportunity to have resources for anything other than classroom teaching and, perhaps, some research.

Now, if we are dead serious about working with communities, somebody has to provide the resources to employ the people to do this. The land-grant institutions have been especially favored in this versus other State universities, and I would certainly encourage this committee to support those efforts in Congress better than they have been supporting them to provide the institutions the wherewithal to employ people to do this instead of stealing time and talent from the classroom introduction staff and the research staff to do a little bit here and a little bit there.

If you are going to do a job, you have to support it and I would hope that you, sir, would support that kind of thing. Many universities would like to participate if they could.

Senator **HUMPHREY**. This is some of the commentary that I wanted to elicit from you.

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*Page 321—Hearing V.

**Pages 28–29—Hearing V.

Dr. EVANS. Yes, sir.

Senator HUMPHREY. It is one thing—to say that a university or college ought to offer technical assistance is one thing and to see how it can do it and still do its teaching job with its student body is another.

Land-grant colleges, as you have indicated, are equipped by unique arrangements to do this.

I also think that colleges and universities can learn an awful lot through their faculty and their junior faculty members and teaching assistants, and so forth, by this kind of participation.

To follow up on what Senator Curtis said, I find at home in my State a wonderful development taking place. I was commenting to the Senators on the way over here.

We have in Minnesota the 3-M Co.; Minnesota Mining, for example, has decentralized a great deal. Likewise, Control Data has decentralized a great deal, and IBM, and they are out here in small towns and all at once here is a little town like Maple Plain, Minn., a very small town, sort of a wide place in the road, maybe 800 or 900 people. All at once it has two or three Ph. D.'s living out there. There is a man who is married to a woman that is a college graduate that was possibly trained in music or the dramatic arts, and the next thing you know, this couple has organized in the community—here is the leadership factor again—a cultural group, a drama group.

I have participated this year as Senator just visiting in a half-dozen communities that have put on extraordinary theatrical, musical, dramatic performances, remarkable, and you know, I just stand there and hear these magnificent voices which you know, you can understand immediately, are well-trained. These are not accidents. And you say, well, where did this—how did this happen?

I have been living around Minnesota a long time, and I go up and meet with them afterwards and I say, well—I remember one young lady who said, "I am from Ohio State University. I got my master's degree there in music. I went to Juilliard School of Music."

I said, "What are you doing out here?"

She said, "My husband is with such-and-such company" and she said "I decided I wanted to do something out here."

So you get this leadership factor. This is what happens nowadays with modern industry.

Look what happened to Huntsville, Ala. A sleepy little town of 20,000 people became a cultural center, an economic center, a great trade and industrial center, in less than 30 years simply because of that Government contract. George Marshall Space Center, 170 Ph. D.'s and their families moved there.

I do not happen to think that Ph. D.'s all make for a good community, but they do not hurt. They help. [Laughter.]

I just thought I would clarify that.

Dr. EVANS. If that applies. I think maybe I had better leave.

STATEMENT OF DR. TRUMAN M. PIERCE. DEAN, SCHOOL OF EDUCATION, AUBURN UNIVERSITY, AUBURN, ALA.*

The 55 million people who constitute our rural population have never had a fair break in the distribution of educational opportunities.

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*Pages 717–719—Hearing III.

Much of rural education is not appropriate for the needs to be served. Too much of the curriculum is oriented to college preparation and not enough to preparation for the world of work. Rural schools in general are housed in inferior buildings, their equipment is inadequate, and libraries, curriculum centers, and other learing resources are below minimum requirements. They do not compete successfully for their fair share of the best teaching talent, and often specialists, such as counselors, reading specialists, and others, are not available.

A great deal is know about how to improve education. Tremendous strides have been made in the last decade in the development of new curriculum materials, the discovery of new knowledge about how children learn, in teaching technology, and in organization for learning. Although the problems of rural education are many, we are in a better position to solve these problems than at any other time in history. It should be remembered that our rural schools are an interdependent part of a system of education. They are affected by the rest of the country, and the rest of the country in turn is affected by the products of rural schools who have historically migrated in large numbers to urban centers in search of a better way of life.

With this background in mind, several suggestions follow for improving rural education.

1. The purposes of rural education should be reevaluated and redefined. While we must be realistic in coping with the problem of preparing people for a satisfactory life when they leave the rural environment, the time has come to educate people for remaining in the rural environment. The philosophy of hopelessness over prospects of achieving a satisfactory life outside of urban areas is not tenable.

2. The purposes to be served by rural schools implied above means that sweeping curriculum reform must take place if the proper education is provided. Present general education programs fail dismally to prepare the majority of rural youth for their future lives, especially those who migrate to new environments. A well-integrated education is needed which prepares rural youth for useful citizenship wherever they may live and also an education which prepares them to succeed in the world of work.

3. The staffing patterns of rural schools should be changed markedly. The modern rural school staff should include well prepared specialists in the major curriculum areas, teachers of the handicapped, teachers of the bright and gifted, and specialists in counseling, reading, and health, and others.

4. Vastly improved curriculum materials should be supplied which are comprehensive in coverage. Better libraries and more aids to learning such as telivision, films, filmstrips, projectors of various kinds and other media, are essential.

5. New learning structures and organizational patterns are needed. Numerous examples can be found of the feasibility of combining two to a half-dozen small high schools into a single, modern educational center which can serve all students better. Greater flexibility should be introduced into the planning and management of learning. Individualized instruction, self learning, and more utilization of learning resources outside the school are needed. New patterns of relationships among students and faculty which will encourage and facilitate learning should be stressed.

6. A substantial expansion of adult education programs is needed. Such programs should be designed to enable functional illiterates to become literate citizens and to acquire the knowledge and skills necessary to earn a satisfactory living.

7. Provision should be made for more effectively evaluating the adequacy of educational programs which are being provided in rural areas, and elsewhere for that matter. The measurement of educational outcomes is a necessary part of improving education.

8. Continuous research should be conducted to determine and evaluate trends in rural life and their significance for educational programs. Such research should provide the facts needed to plan continuously for improvements of rural life and rural education.

9. Rural education should be coordinated with the larger world of which it is a part. The interdependence of all aspects of society has been stressed in this statement. Educational programs must take into account this interdependence and adequately prepare people for appropriate roles within this context.

10. Improvement of rural education in the South requires solutions to problems of school desegregation. Profound changes are underway in schools in the South because of mandated racial desegregation, the impact of which is not clear as yet.

11. Better coordination of all educational opportunities is long overdue, not only in rural areas, but throughout the educational system. There should be a director of education in each school district who has administrative and supervisory responsibilities for all educational programs in the district regardless of their sources of support and present management.

STATEMENT OF EDWARD H. ELY, LINCOLN, NEBR.*

Your committee and Mr. D. B. Varner discussed the possibility of an Institute for Rural Development utilizing the University of Nebraska as a vehicle to carry federal funds for rural development. In my opinion, this is an excellent approach not only for Nebraska, but nationwide. The methodology of such an approach might travel a variety of avenues. I would like to outline one approach along the institute lines which I think would benefit rural America:

Develop a university task force composed of students majoring in study areas which would be most helpful to the rural community. Permit students to draw on the vast repository of information at their respective college. For example, Political Science majors—for assistance and community leader education in city and rural government: Engineering majors—for help in housing survey and the mapping and development of utility plans; Business and Agricultural Economic majors—to help with industrial-site development planning, attracting new industry, studying the economic impact of new industry; Geology majors—to locate natural resources; Journalism majors—to gain public support. The number and specialty of students required and lengths of a project would depend on such factors as size and requirements of the community.

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*Page 326—Hearing V.

At the outset establish a few model rural communities to test pilot the projects. It would seem appropriate that Economically Depressed Areas should be given priority consideration.

Allow students the opportunity to work with the community. In the beginning, rapport would be a critically important factor. Students would have to possess a good attitude plus knowledge and allow any defensive attitudes of the rural populace to subside. We must recognize the independent nature of the rural American and his suspicions of change. Yes, it would be a two-way educational process. Organizations such as the Coalition for Rural America and Vision-17 would appear quite valuable here in preparing a community for the transfusion of new ideas.

Assign task force group leaders, possibly professors or graduate students, to supervise the students in their objectives. Upon completion of the projects, clear, concise, written reports prepared in each area of study would provide information, reference and future guidance to community leaders. The same reports could be evaluated by university staff members for credit hour evaluation.

Federal funding might be used to help pay for teacher/student lodging and expenses while they are in the community. Such a system may seem mundane to many people. But aren't people the most important resource we have? If rural community models of this type are successful, would youth migrate back to rural areas? Would they live in a community where they invested part of their identity? Would young people establish themselvs in a town that was alive instead of dead? Wouldn't such a system be almost totally objective since it would be educational and nonpartisan?

When the students finished their project the community would know where it stood and what it must do to survive. More importantly the community would know how to get things done. The leaders would be equipped to set local goals and objectives and achieve them. The people would know how to obtain governmental monies; how to locally develop industry or approach outside industry. They would know which industries the town could absorb and what type industries the town desired. No longer would small communities fear the bureaucratic process when trying to obtain their objectives. They would understand how big government is designed and how to participate effectively in various interest groups such as the Coalition Rural America. NFO, Co-ops or whatever to help their cause. They would understand such economic tools as Industrial Development Bonds.

If a community model project failed, find out why, and correct the cause so it wouldn't happen again.

The comment has been made. "How can rural Americans have any faith in themselves; when the government doesn't have any faith in rural America?" Such thoughts take on new meaning when viewed from the bottom of the national economic pile.

The above ideas may parallel those already in existence, however, I submit them for your consideration.

THE CORE CURRICULUM OF COMMENT DEVELOPMENT AND ITS INPUT REQUIREMENTS[1]

(By Bert M. Evans, Extension Economist, University of Nebraska, Lincoln, Nebr.)

(Evans criticizes current community development research and adult education as fragmentary and capricous. He provides some specification and elaboration of the common community development problems throughout the midwest. The substance of education for community leaders, he asserts, should and would be similar throughout the midwest if the content were truly derived from the real development problems facing midwest community leaders. He points out the necessity of interdependence of research and extension in generating and delivering relevant subject matter for community development.)

Similar Community Problems

The problems that citizens face in community development are very similar from state to state and also differ relatively little among communities within the state. Extension education programs which all hope to assist communities to develop are on the other hand widely different among states. There are many reasons for their differences such as staff abilities, administrative attitude, historical precedent and differences in the individual interests of whichever researcher or specialist is providing leadership. However, extension education programs do not differ because of variations in community education need. The development problems are very similar,—community to community. Only small variations in priority of concern exist. These are relatively unimportant because they imply only differences in the sequence in which the curriculum should be taught and do not call for alteration of the total content of the curriculum. Extension education programs differ among states largely because of capricious differences in material readily available to extend. There is a lack of cohesive programs tying research and extension together for adult education needs for community development. If all midwest States carefully oriented a portion of university research and education to the real needs of community development they would all have a similar program.

There are many similarities among highly independent universities, colleges and departments in their requirements for a college degree. The colleges and departments of the North Central and Great Plains states exhibit much parallelism of conviction as to the subject matter and course content needed for engineers, chemists and teachers. The reason is that the need for curriculum derives from the need of the client student to perform in life. The same parallelism among states would show if a multi-years community development curriculum for leaders were carefully prepared to meet the needs of communities in different and independent midwest states.

There are compelling reasons for the similarities among states in requirements for a community development curriculum. Our economic system is truly an integrated system. The same technology, the same social and economic system dominates all communities. All have the

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NOTE: Pages 331–334.—Hearing V.

[1] Paper delivered to NC–88, "Economic Development of Rural Areas," in Chicago, May 5, 1969.

same history and education. There are not truly separate economic or social systems in different states. We are very closely tied together by such things as communications, culture, mobility and having a similar situation and similar community goals, we have the same community improvement problems. Political systems and power structures from state to state and community to community are actually quite similar. Thus, there are only superficial differences among the uncertainties and misunderstandings of leaders who would be the students of a core curriculum in community development.

It might seem that there would be fundamental differences between the problems of a relatively progressive county with a town over 10,000 with a growing population and a smaller rural county with no town over 5,000 and a declining population. Actually there are obviously differences but there still is a common core of almost identical problems, e.g. in the areas of school management, local government organization, tax revenue, adjustment of too small firms, and labor migration. The variations among communities in form of problems do not present insurmountable education difficulties. The community and individual choice problems are similar and the same analysis of the problem and the same technical information about alternatives must be given for each situation. After all, our classroom students end up in a wide range of different situations and yet we expect them to absorb the same principles and are confident that the basic curriculum will be adequate for each student.

A more legitimate concern is variation among leaders in their background. Still the information that citizens need is similar irrespective of the level of understanding at which they begin. The greatest variation among individual leaders is on specific facts of each problem area. This variation is large and is between individuals in the same community and is actually a similar problem community to community. We are highly specialized in our interdependent society but the same specialization repeats in community after community. The level of initial understanding is based on the same observations, the same newspapers but is conditioned or filtered through different personalities and occupational orientations. Communities are similar also for physical or geographic reasons. Our climate differences among communities throughout the midwest plains vary only within rather narrow limits and differ little over several hundred miles compared to the variation in many nations of the world. Problem similarities and common educational needs of community development leaders are especially obvious outside the midwest's largest cities. We exclude the very large metropolitan areas with congestion, race and public transportation problems and confine ourselves in this discussion largely to the counties with towns under 50,000 in North Central and Great Plains states.

The core curriculum

The first requirement in the development of a "core curriculum" is to spell out a list of priority problems.

There may seem to be a large number of specific community problems and consequently an almost unlimited variety of adult educational needs. Actually the task is not unsurmountable. But we must pick and choose, by some criterion which problem areas to research and extend. The criteria should be need or usefulness to community development. We should not choose solely on the basis of the desire of the extension worker or the researcher's interest. This might allow us to avoid the most important of community issues and problems in favor of the easier, more novel or less controversial topics.

Here is my list of priority problems (not necessarily ordered according to their importance):

1. Local government—County-city-school relations, regional government, public spending emphasis, competence and efficiency of officials and governmental forms.
2. Public finance—property tax equalizations and relief, city funds, school bond issues, tax reform.
3. School organization and development—district consolidation, quality education, school buses, teacher salaries, teacher recruitment and turnover.
4. Transportation, roads, communication and power—Railroad closings, freight and passenger service, rural road closings, road tax fund use.
5. Hospital and health facilities—regional hospitals, absence of local doctors, high cost, care of elderly, increased quality.
6. Adjusting community and area economic structure and expanding area economic base and the employment opportunities—consolidation of firms, capital for labor substitution, industrialization.
7. Farm problems, programs and policy—production control, price support, exports, poverty in agriculture, large farms.

Interrelatedness—Problem to problem

In adult education the above 7 courses would overlap and interlock. Principles and alternatives cannot and should not be arbitrarily separated into one or the other district subject matter areas. Students of extension do not always "take the prerequisites," nor remember so repeating is needed. The community leader needs the whole curriculum however because to understand and function in an area such as school district reorganization he needs to understand the requirements of increased quality of education, and also, have a grasp of local public finance, and state and federal assistance. His competence in school district planning will continue to increase as he studies local government, road and communications planning, county zoning and the changing economic structure of the area and the possibilities of expansion of area economic base and total area employment. Thus, although the focus might be on improving the education of rural youth by school district reorganization, there would be some presentation on curriculum development taxes, competing public service needs, and the local economy. These related subjects just touched on in one course would "advertise" the next courses in the curriculum or reinforce past learning. Subject matter for citizen classes oriented to action must be much more complete and integrated than is the case in the classroom.

In the development of subject matter material for citizen classes, it is important to remember that citizens always have some information and understanding and usually sufficient to have an opinion of some kind and even enough to act on if a decision is forced. Citizens fail to act or decide well because of uncertainties, misunderstandings and the interdependence of decisionmaking in community development situations. The interdependence of decisions is a special problem for com-

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munity affairs. For example, a local merchant may want to upgrade his retail facility. He can quite easily appraise the need for improvement and perhaps also estimate return on such investment if 1) nothing changed or 2) if everyone else upgraded also. He cannot act, however, because he is very uncertain of the factors which affect his decision. His new building will suffer immediate depreciation in the event a supplementary store closes or a competing store comes in. If other main street businesses help attract customers by upgrading at the same time, he will be highly successful. Thus, his individual decision is foreclosed by the lack of decision on the part of others. Thus, a curriculum giving common knowledge can bring about a pattern of decisions that reinforce each other and bring development.

Critical mass

How *much* does any one leader or citizen need to know about one subject in order to successfully play his role? If too little is taught no action takes place at all. How many people need to know more about a subject? If too few know the knowledge will be diluted, wither and be forgotten. Should Extension hold a workshop with lecturing and discussion for one day? three days? or 10 days? The "critical mass" is reached when the students become relatively self-sufficient in extending his own and spreading to others the understandings. We must give enough so that a leader's learning process and that of the community "takes off" and they become able to adequately consume and utilize new information and ideas from a variety of sources. How much does it take on one subject to bring a community to that point? In the case of a major school organization an "initial" or "base effort" educational project of 2 or 3 days must be taught and discussed by at least ½ of 1% of the population. Actually extension educators can determine "critical mass" of information and audience only after researchers and educators have begun to analyze the problem and specify the body of information required for "the course."

"Critical mass" of material and audience for economic development is different and larger than the "critical mass" for fertilizer, seeding rates or feeding practices adoption. Community development problems are of a public nature and must be decided jointly. Community development problems are controversial and each decision may benefit some citizens and harm others. A rather large amount of understanding must be developed rather widely at the outset to forestall destructive reaction from those few who may be harmed. Vocal criticism from a few individuals can reverse the direction of the community decision-making process if too little and too few are educated. "Critical mass" should always involve most of the relatively few leaders with much information and many more citizens with less detailed courses and less depth of understanding. Voting on a school bond issue or other public choices cannot cumulate or slowly add up over a period of years to get a majority as is the case in adoption of a new fertilizer by more farmers each year. Patterns of decisions such as migration and investment can build up over time.

Course content

The subject matter content of a course in community development for leaders would be made up of 1) introductory material, usually historical and theoretical to place the situation and problem areas in sufficient perspective. 2) Description of current local conditions, description of local organizations and institutions and comparisons of conditions among nations, states or areas. 3) Identification of alternatives, description of each, and 4) discussion of this problem in relation to other problems, other expenditures and community goals. 5) Evaluate community action alternatives for this topic in context of the political processes in our society.

Some text book material is always necessary. Principles and theory are required. Description and statistical material must be general to give perspective but also must be specific to describe the state and each local community situation. Community development requires a great effort to blend together the practical and the theoretical, the general and the specific, the facts and the preferences. Reading assignments and lecture-discussion topics are the likely techniques with leaders. Newspapers, radio and T.V. are best for citizens. The lectures within a course need to connect various aspects of the problems and pieces of information. All information must be more direct and concrete than is the case with undergraduate classroom lectures. There must be opportunity for discussion and even attack of the facts and principles presented. The course content will not become active and influential without argument. The type of understandings and opinions that bring application, adoption are formed through public debate and critical appraisal of new information and its usefulness in the community's situation.

The class

In classroom teaching there is little difficulty in defining the audience. Who needs to know in community development is not so obvious. The appropriate audience differs somewhat from subject to subject, but some of the leadership group is common to all problems. In school organization all parents and adults need some information and understanding, but (1) School board members; (2) County officials; (3) Farm and business leaders and (4) big property owners need special attention.

The subject matter needed, the new research needed, the delivery system and the audience are all interdependent and must be simultanously chosen. All derive or are dependent on the topic or course within the curriculum to be presented.

Subject matter

In attempting to discuss needed research we must have the outline, the total material required by leaders to make decisions and then separate the known and the unknown. A select committee or task force on a multi-state basis consisting of extension and research probably need to begin by making an outline of the issues. This initial step should be taken before beginning to gather audience or begin research. The task force would need to plan in considerable detail the education in all topic areas as a preliminary to requesting specific studies or subject matter. Through discussion a task force could select text books and complete research to be used with only minor adaptation. The information gaps and the priorities for research would emerge from such program planning. For example, I think good information evaluating the impact of local school taxes upon economic growth and income level is very crucial but missing. This gap probably forestalls rational decisionmaking about school reorganization in Nebraska. Without information on the relative burden of taxes all other information on schools and taxes is noneffective. Equitable and sufficient local tax systems cannot be designed without incidence estimates. Equity in taxation at the local level is an important goal and school reorganization cannot proceed on a rational basis unless financing is judged to be equitable.

Summary

There would be two major benefits to developing a core curriculum, a cohesive research and a delivery system for community development. (1) the research director would be able to use his resources for effectively, and scientist would gain the satisfaction of seeing his work pay off by seeing it used to help communities solve their problems. (2) Extension could develop a program whose resource requirements could be clearly justified and administratives could better understand and argue for their requests for staff and financing.

It is obvious there is need, logic and effectiveness in: 1) a core curriculum, 2) cohesive research—extension planning, and 3) division of labor through several states cooperating in community development.

Dr. Chester H. Gausman, Central Nebraska Technical College, Hastings, Nebr.*

INDUSTRIAL DEVELOPMENT IN RURAL AMERICA

Vocational-technical education in the technical colleges of Nebraska is a major factor in the industrial development of this State. What is happening in one area of the State, in the field of technical-vocational education, can be identified by the progress story of Central Nebraska Technical College at Hastings.

The College began operation in 1966, at the former Naval Ammunition Depot, with an initial enrollment of 196 students in September of 1966. Since that time the College has grown so that during the calendar year of 1970–71 a total of 2,279 students enrolled. The predicted total enrollment for the year 1971–72 is 3,027.

The College offers programs of instruction in 32 occupational areas, including the broad categories of agriculture, health, industry, business & office, and service occupations. The College boasts of being a Nebraska College for Nebraskans, in that fewer than 2% of the total enrollment of the college comes from out of the State.

The college is supported by a twenty-county area with a local tax levy of 1.92 mills for fiscal 1971–72. The local tax provides approximately 59% of the total cost of operations. State support and tuition accounts for approximately 33%, and federal and other sources the remaining 8%.

The impact of the College on the industrial development of the area can be analyzed by a brief report of the students who completed courses of study at the College for the 1970–71 year. A total of 452 full time students completed their programs of study during that year. Of this total, 92% found immediate employment, entered the military service, or continued their education at four-year colleges. Five percent continued their education, 8% entered the military, and 81% took immediate employment. Of the 336 full time students who found immediate employment, 275 or 82% found employment in the twenty-county area; 312 or 93% found employment in Nebraska.

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*Pages 379–380—Hearing V.

These students were employed in many types of opportunities. Some of the major industries of the Central Nebraska Area employing graduates were: New Holland, Grand Island; Mason-Hanger, Grand Island; Holiday Mfg., Alda; Dale Electronics, Inc., Columbus; Douglas & Lomason Co., Columbus; Becton, Dickinson & Co., Holdrege & Columbus; Behlen Mfg. Co., Columbus; Monroe Auto Equipment Co., Cozad; Hastings Industries, Inc., Hastings; Western Land Roller, Hastings; Baldwin Mfg. Co., Kearney; Eaton Inc., Kearney; Rockwell Mfg., Kearney; Meat Animal Research, Clay Center.

In addition to the full time course offerings, 94 evening classes enrolled 1,045 part time students in programs that upgraded employees in their present occupations.

To insure that the programs of the college meet the needs of the area, a research project is now in progress which will provide a computerized county by county analysis of jobs. A 33⅓% sampling of all employers in the twenty county area is being made. Objectives of the project are:

1. Provide information on job opportunities in the area.
2. To stimulate educational programs at the college to meet these job requirements.

One of the major problems facing all institutions of vocational-technical education is encouraging high school graduates to enroll in occupational education. Central Nebraska Technical College has been reasonably successful in this endeavor as indicated in its continued growth pattern. The college is now engaged in an exemplary program with federal assistance that provides super 8 mm films and accompanying tapes taken directly from business and industry showing the types of jobs that people are actually doing, along with verbal explanations of the skills required.

The objectives of the program is to provide up-to-date occupational film-tape libraries for each of the 86 high schools within the district. This program provides each student with an opportunity to study occupations at a time when he is making decisions relative to his future.

Central Nebraska Technical College provides programmed individualized instruction to each of its students. Students may enroll on any day and complete their education at any time during the year. This provides industry with a continuous flow of graduates throughout the year, rather than only at one specific time. Students proceed at their own rate providing opportunity for students of varied ages, educational backgrounds, and skill capabilities to receive an occupational education tailor-made for the individual student.

BUSINESS AND INDUSTRIAL DEVELOPMENT

DR. D. B. VARNER, PRESIDENT, UNIVERSITY OF NEBRASKA*

(4) A program directed at creating employment opportunities is a crucial part of any effort at rural development. This means that business and industrial enterprises must be persuaded that it is in their interest to locate in rural areas.

It is my experience that nothing is more persuasive than the promise of profit. In order to improve the profit protential of such relocation, I would urge that serious consideration be given to these factors: (*a*) the extension of existing programs of federally subsidized incentive loans to those businesses and industries willing to locate in rural areas; (*b*) the development of a program of uniform tax incentives which will improve the attractiveness of rural investments for business and industry; (*c*) the establishment of a program of long-term, low-interest loans to State and local governments to permit the development of essential public services in rural areas.

SENATOR HENRY BELLMON**

A national rural development program must encourage industries to locate their plants in rural areas. This can be done through tax incentives and by giving these plants first priority in the awarding of federal contracts. Further development of rural manpower training programs to insure a qualified labor force is needed.

DR. BARTON A. WESTERLUND, DIRECTOR, INDUSTRIAL RESEARCH AND EXTENSION CENTER, UNIVERSITY OF ARKANSAS***

The industrial structure of employment in Arkansas differs significantly from that of the Nation. The major differences come in employment in agriculture, in lumber, and in the food processing industries. In Arkansas agriculture accounts for almost nine percent of total employment while in the United States the share is about five percent. In addition to the above, the employment structure within the manufacturing sector is badly skewed toward labor intensive, low skill, and low wage industry. This structure in terms of both percentages and wage rates is shown in the table.

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*Page 141—Hearing V.
**Page 52—Hearing I.
***Page 69—Hearing I.

AVERAGE HOURLY EARNINGS AND PERCENT OF TOTAL MANUFACTURING EMPLOYMENT BY MAJOR INDUSTRY GROUPS, UNITED STATES AND ARKANSAS, 1969

	Average hourly earnings, 1969			Percent of total manufacturing employment 1969	
	Arkansas	United States	Arkansas as percent of United States	Arkansas	United States
All manufacturing	$2.33	$3.19	73	100.0	100.0
Durable goods	2.27	3.38	67	52.3	59.0
Lumber and wood products, except furniture	2.09	2.73	77	13.3	3.0
Furniture and fixtures	2.5	2.62	82	7.4	2.4
Primary metal industries	2.85	3.79	75	2.8	6.7
Fabricated metal products	2.46	3.34	74	4.2	7.2
Machinery, except electrical	2.42	3.58	68	3.3	10.0
Electrical machinery	2.35	3.09	76	9.2	10.1
Nondurable goods	2.40	2.91	82	47.7	41.0
Food and kindred products	2.03	2.95	69	14.8	8.9
Apparel and finished products	1.93	2.31	84	9.0	7.0
Paper and allied products	3.38	3.24	104	5.1	3.6
Printing, publishing and allied products	2.78	3.69	75	3.9	5.4
Chemicals and allied products	3.18	3.47	92	3.3	5.2
Rubber and miscellaneous plastics	3.13	3.07	102	3.1	2.9

Sources: Derived from Arkansas Employment Security Division, Current Employment Developments, February 1969 through January 1970 (Little Rock); and U.S. Department of Labor, Bureau of Labor Statisitcs, Employment and Earnings, April 1969 through March 1970. (Washington: Government Printing Office.)

TOTAL POPULATION, ARKANSAS, 1960 AND 1970, URBAN AND RURAL AND PERCENT CHANGE FOR EACH CATEGORY

	1960		1970		Percent change 1960–70
	Number	Percent of total	Number	Percent of total	
Total	1,786,272	100.0	1,923,295	100.0	7.7
Urban	765,303	42.8	960,965	49.9	25.5
Rural	1,020,969	57.2	962,430	50.0	−5.8

Source: U.S. Department of Commerce, Bureau or the Census.

While industry structure in Arkansas is not unlike other developing areas, it does affect the ability of the State to achieve a gap-closing economic growth rate. If progress is to be made in the future, the State must successfully emphasize the growth of new industries having higher growth rates, skill requirements and wage levels. In addition, the State must also emphasize efforts that contribute to the growth of existing industries, as well as to the improvement of a business climate conducive to the formation of new enterprises.

Arkansas is moving to expand and improve the educational capacity of the State. The planning provides for development at all levels of the educational system and will result in an increase in the quality, numbers and variety of occupational preparation forthcoming from the educational system. In the immediate future, however, difficult problems of supply and demand will exist. To illustrate the problems facing this educational development effort; as of 1967, 11.9 percent of the State's population 25 years of age or older had less than a fifth grade education, and 14.8 had less than an eighth grade education. This compares with 6.1 percent and 10.2 percent, respectively, for the Nation, and largely explains why so few in the labor market have the marketable trades or skills needed by more complicated industrial processes, and why it is hard to find persons with a background upon which further training can be givn to enable them to assume higher level positions in supervision and management.

DR. BARTON A. WESTERLUND, DIRECTOR, INDUSTRIAL RESEARCH AND EXTENSION CENTER, UNIVERSITY OF ARKANSAS*

The limited public funds for development purposes requires selectivity in public expenditures. The easier, wishful thinking approach is to increase all types of spending uniformly in the hopes that private investment will be encouraged. The more difficult but more effective direct approach is to identify income-generating opportunities and then encourage expansion by the base industries, those that are rapidly growing nationally, and those that exploit new technology and create new products.

STATEMENT OF LT. GEN. LOUIS W. TRUMAN (U.S. ARMY-RETIRED), EXECUTIVE DIRECTOR, GEORGIA DEPARTMENT OF INDUSTRY AND TRADE, ATLANTA, GA.**

Here in Georgia, industry, generally, has located in the middle sections of the State, in Albany, and in Savannah and Brunswick on the coast.

Yet in terms of stable, and many times available work force and the overall cost of production, the southern portion of Georgia, actually, offers the greatest potential for industrial opportunities.

The other problem is the attitude of some rural citizens, including many farmers, toward obtaining new industry.

They believe that such actions might result in higher taxes for them, in order to buy industrial sites, basic services and other town improvements necessary to make the town more attractive to industry.

Also, there is the attitude of some existing industries that want to keep others out because of their fear of competition in wages and work force.

I can say that there is progress in this area because in the last four years, I have seen great advances across the State, on the part of small rural towns and communities in their enthusiasm to get into industrial development and secure new industry.

And, on the other side of the coin, a growing number of companies have adopted policies toward location of new plants in smaller rural communities.

But in the main, corporate management still needs and wants incentives to so locate, and rural Georgia cannot always afford to offer incentives. In fact, many times rural communities cannot even afford to obtain land and basic services without outside assistance.

So, if the rural urban balance is to be improved, then Federal funds, from some source must be made available to the rural towns and communities to assist in making themselves attractive and acceptable to industry.

Also, Federal funds or other incentives must be made available to industries to entice them into locating in the rural areas.

We have had about 150 SBA "502" loans, involving job creating industrial projects finalized here in Georgia. Ellijay, alone, has had 13.

These SBA programs, according to our experience entail a minimum of bureaucratic procedure. And, commitments are made, gen-

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*Pages 967–968—Hearing III.
**Page 72—Hearing I.

erally, within two to four weeks after the complete application is submitted.

The only fault, as I see it, with the SBA program has been under funding.

I would like to see the limit extended from $350,000 to $1,000,000 on a loan, assuming sufficient funding can be provided.

WALLACE PETERSON, CHAIRMAN, DEPARTMENT OF ECONOMICS, UNIVERSITY OF NEBRASKA*

7. *Government inducements to private industry.*—The Federal government should give careful—though exceedingly cautious—consideration to an examination of the extent to which tax incentives and loan guarantees might be used to encourage job-creating industrial and economic growth in rural areas. This approach can be productive, but it must be used with extreme care simply because experience with the Federal tax laws shows that too often incentives simply turn out to be loopholes that favor firms and groups that already enjoy special privileges. A recent study by the Associated Press indicated that private enterprise in America was now collecting approximately 30 billion per year in subsidies and subsidy-like aid from the Federal government. Such aid goes to business in many forms, much of it hidden or disguised. The aid includes cash payments, tax breaks, low interest loans, guaranteed loans, technical assistance, and grants given through state and local governments. If the Congress is really determined to do something meaningful for rural economic development, many of the subsidies which now exist could be re-channeled or re-directed in ways which would help rural areas. Such an approach would not involve any increase in Federal outlays—and hence taxes—but simply a re-orientation of existing programs.

As Senator William Proxmire of Wisconsin has pointed out, there is now the extent to which the Federal government is subsidizing private business and no system of accountability for Federal subsidy programs. No one really knows for what purpose. One of the first requirements here is for the federal government to get its own house in order and make it clearly known to the American public just how much is being spent to subsidize private business and for what purpose. Once this is done, it would be possible to proceed with consideration of new tax incentive programs designed to stimulate rural economic development.

STATEMENT OF C. E. HIESEMAN, MANAGER, MONSANTO CO.'S DECATUR PLANT, DECATUR, ALA.**

Monsanto Company's Decatur Plant has enjoyed many benefits by locating in the Tennessee Valley area near Decatur, Alabama. In turn, it has brought many benefits to this area in terms of jobs created for several thousand persons, multi-million dollar payrolls, taxes paid to local government units, purchases from local and regional sources and creation of satellite business and industry as a result of its needs for supplies and services.

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*Page 321—Hearing V.

**Pages 751-757—Hearing III

The Decatur Plant was constructed in this area after a lengthy search and investigation that covered several hundred potential sites. The Decatur site was chosen because of several principle advantages, namely, an excellent supply of high quality people with excellent attitudes, the availability of electrical power, large amounts of water for cooling purposes, good transportation routes by water, rail and highway.

The excellent labor attitudes which pravailed among available employes, area businessmen and residents of the area were highly encouraging for a potential employer looking for a place where they could operate in an atmosphere of freedom.

The excellent highways which existed made it possible for our plants to offer employment to residents of a wide area in North Alabama and East Tennessee. Most of these residents were living on farms and not gainfully employed in industry. In fact, approximately 80% of our employes came directly from farm areas. Hundreds of them maintain farms as a second income and commute to work each day from as far away as 60 miles.

Without the excellent highways of the area, it would not be possible for them to have access to technical and skilled jobs such as are offered by Monsanto and other industry here.

Naturally, the availability of water transportation has affected Monsanto's growth since construction of our initial plant at Decatur. We began operations in 1952 with one product. Acrilan acrylic fiber, and 200 employes. Through the years we have been able to grow and expand, offering more jobs and bigger payrolls as an incentive to workers to stay in this area. Today, we have two Acrilan plants, one Polyester Staple Plant, a Polyester Tire Yarn Plant, a Nylon Intermediates Plant and a ChemCoke Plant, with approximately 2700 employes. Much of our raw material and all the coal we use in our expanded operations comes to us by waterway. In fact, we received approximately 100 million tons of such materials by water transport each year, thanks to the deep water system available. Without this system, we probably could not offer the number of jobs we do today.

These employes who work with us each day enjoy a payroll in excess of $25 million annually, not to mention more than $6 million in employee benefits. These dollars, together with our purchases in excess of $25 million in the area, create an additional 7,000 jobs.

Gov. J.J. Exon of Nebraska*

Let me propose for consideration an idea that merits study: I refer to a PAL program—a professional agriculture, agribusiness labor force. Many rural male residents in the 20- to 45-age bracket do not have large enough production operations and adequate resources necessary to maintain their families in rural American communities. This important age group is vital to furnishing the agricultural expertise needed in food production and agribusiness. The present average age of our farmers here in Nebraska is 58 years.

A well-trained and qualified labor pool or replacement force is vital in enticing agribusiness or industry to locate in rural America. I would suggest that we consider developing such a new approach that could have favorable impact upon meeting this pressing need.

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*Page 125—Hearing V.

Workers registered in the PAL program could be available to both the public and private sectors or employers requiring temporary help. These employeers could reimburse the PAL program for the services of workers and when the opportunity for fulltime employment came available, the PAL member could then transfer from the program to a regular employee basis.

The PAL program would retain the dignity of useful labor and still bring immediate hope to rural Americans who are now frustrated in their attempts to provide adequate incomes for their families. This program could aid in reducing the exodus to urban centers and the resulting socioeconomic problems that are producing unbearable costs to our society.

Joseph C. Brown, Vice President and General Manager, Dierks Division, Weyerhaeuser Co., Hot Springs, Ark.*

Before concluding, I would like to touch on one other aspect of rural industrialization which is understandably of concern to many in the general public, the potential pollution of rural landscapes, streams, and air that previously existed in a relatively "pure" state, at least in popular conception.

One of the decisive considerations in our decision to locate our Valliant facility in Oklahoma was the availability of State income tax credit provisions on investments in air and water pollution controls. It was simply a matter of economics; we were committed by corporate policy to install in this facility the very latest technology available in pollution abatement control devices, to make it one of the world's "cleanest" pulp and paper mills. Controls we are in process of installing are rated at degrees of effectiveness ranging from a low of 95.4 percent to a high of 99.9 percent. They are highly efficient—but they are also highly expensive; total cost of the pollution control facilities will be more than $10 million.

We have developed a good working relationship with the air and water pollution control commissions of the State, and have fully cooperated with them in a number of studies on pre-start-up air and water quality parameters, in order to establish benchmarks whereby our post-start-up performance can be evaluated. I make this statement because we expect to meet the same environmental standards as if we adjoined a major population center.

I could argue about a point like that for a long time, but this is what we are doing.

Wallace C. Peterson, Chairman, Department of Economics, University of Nebraska**

In research for his Ph.D. dissertation, Dr. Stanley L. Brue, formerly a graduate student at the University of Nebraska-Lincoln, examined the economic consequence of 149 acquisitions of Nebraska firms by other firms during the period 1964–68. Of these acquisitions, 83 were undertaken by corporations outside the state of Nebraska, and the remaining 66 by Nebraska corporations. Statistical tests carried out by

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*Page 44—Hearing V.

**Pages 320–321—Hearing V.

Dr. Brue revealed there were no significant differences between employment and payroll growth in the acquired firms and those of other typical firms in the industry concerned. Thus, his findings refute the view that firms acquired by other firms through merger tend to be slow growing or dying enterprises which would benefit from an infusion of new management and expanded financial resources.

The contrary is more likely to be the case. In the mergers involving the acquisition of Nebraska firms by out of state corporations, Dr. Brue found that postmerger annual rates of growth in both employment and payrolls became negative, resulting in a substantial loss of income within the state as a consequence of mergers. Specifically, he found that whereas the acquired firms had a pre-merger average annual rate of growth for employment and payroll respectively of 1.257 percent and 6.958 percent, the average post-merger employment rate was −8.353 percent and the post-merger payroll rate −1.592 percent. In 1970 alone, according to Dr. Brue's research, the aggregate income loss in Nebraska from mergers was estimated to be $24 million.

Further, the acquisition of Nebraska firms resulted in an outflow of corporate control and decision-making authority from the state, a development which served further to concentrate geographically corporate control in this country. This net outflow of corporate control was also experienced by other Great Plains states, according to Dr. Brue. In the period 1955–1968 the states of Nebraska, Iowa, South Dakota, North Dakota, Kansas, Colorado, and Wyoming experienced a net outflow of corporate control of 334 manufacturing concerns. This loss of "corporate control by sparsely populated states serves to undermine the economic viability of these states . . ."

To remedy the adverse effects that the conglomerate-dominated merger movement is having upon the economy—especially upon less populated rural regions—the Congress should consider several things. First, through an appropriate committee it should undertake a new investigation into the concentration of economic power in the American economy. This should be on the scale of the Temporary National Economic Committee (TNEC) investigation in the period just before World War II. Second, the Congress should consider new additions to the anti-trust laws designed to restore meaningful competition to major sectors of the economy. In this connection, the Congress should consider limits on the amount of assets of other corporations—competing and noncompeting—that any firm could acquire through merger, demonstration to an appropriate public body—the Federal Trade Commission, for example—that a proposed merger would not lessen competition and was in the public interest, and, finally a Federal incorporation statute.

JOS. C. BROWN, VICE PRESIDENT AND GENERAL MANAGER, DIERKS DIVISION, WEYERHAEUSER CO., HOT SPRINGS, ARK.*

It seems apparent that people do not move to cities because of a perverse intention to add to the problems of their society. Their reasons, as has been noted here and elsewhere, include convenience, economic necessity, or desire for what they hope will be more agreeable surroundings.

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*Pages 39, 40, and 41—Hearing V.

If we grant the validity of this contention, it would seem that the major population shifts which have contributed so painfully to urban ills may be essentially the result of basic rural problems: the absence of convenience, economic opportunity, or agreeable surroundings.

It has been our experience that of these factors, the economic factor or the job factor is paramount. Evidence of this, I feel, is the fact that since we initiated our major expansion program in southeastern Oklahoma less than 2 years ago, we have received an astounding number of employment applications from natives of that area that had moved away, often to quite distant locations, who now want to come home with the creation of job opportunities which were previously not there.

I suspect that similar circumstances have developed in dozens of instances across the South as a wave of forestry development over the past 15 years has brought economic prosperity and opportunity to many rural communities of the region.

In saying this, I do not mean to imply that rural industrialization is a panacea in the South or in any other region. But it can play a significant role by providing the economic underpinnings essential to a viable smalltown society as agriculture continues to play a sharply lessening role in this society.

Inevitably there are problems involved in rural industrialization: environmental considerations, the availability of a skilled or trainable work force, the ability of small communities with limited tax bases to respond to needs created by industrial impaction.

While all these factors are significant, that of impaction is especially so. No technologically advanced industry can easily afford to locate significant developments in communities or areas which lack the capability or potential of providing, attracting, and holding not only skilled employees and management personnel, which was mentioned a few minutes ago, but physicians, teachers, lawyers, and all of the other persons possessing the skills and leadership eessential to the building of strong and attractive communities.

Under normal conditions, something of a chicken-or-egg problem is involved in rural industrialization. To attract industry, a community needs to possess the capability of meeting certain basic needs, but, quite often, it simply cannot afford to meet these needs prior to industrialization.

There is no easy answer to the dilemma: How can a community "get a leg up," as it were, in order to provide a nucleus of these facilities to attract and hold community-leader types of people so that it can grow and become self-supporting from a tax income point of view?

Resolution of this problem will require the cooperation and understanding of the communities, of industry, and of local, State, and Federal agencies.

In deciding upon our major expansion program in McCurtain County, Okla., which is the southeasternmost county in this State, which had a 1970 population of about 28,000 or a density of 15 per square mile, we were concerned with the impact upon the environment, schools, housing, recreational facilities, road systems, water supplies, sewerage systems, health delivery facilities, and, in fact, almost every other aspect of community life. To put this in focus, I would say our expansion program in Oklahoma involves construction of a particle-board plant near the town of Broken Bow, which has a population of just under 3,000, a pulp and paper mill, the largest facility of its type ever constructed as a single unit, at Valliant, with a population of about 850 people, and a plywood plant, log-processing center, and a small-log sawmill at the town of Wright City, which has a population of about 1,000.

Modernization and expansion of some existing facilities in the country were also involved, as well as a substantial increase in timberland operations.

We anticipate that these added facilities will provide permanent jobs with the company for about 800 new workers, in an area badly in need of additional jobs and payrolls. Of course, during the construction phase that is going on now, there are some 2,300 construction workers at this one town of Valliant.

Projections of the benefits in industrial payrolls, tax revenue, retail sales, bank deposits, new homes, and other employment over and above the industrial payrolls are, of course, quite exciting to a number of the local leaders. But what about the problems that come along with the additions and changes?

If I were to draw a single, broad conclusion from our experience, I would say yes, there are avenues available through which most of the problems of impaction can ultimately be resolved, but inevitably there is a distinct time lag of up to 2 years or 10 years or 20 years, which redounds to the considerable disadvantage of the community.

Governmental programs of community assistance are generally adequate in concept, but funding is not always available and the involved agencies sometimes seem to move slowly for the type of job that seems to be needed.

It is not sufficient simply to make a variety of problems available to these communities; they understandably lack necessary expertise in "grantsmanship," and they lack the financial resources to hire professional consultants.

In general, we have been favorably impressed with the various regional agency staffs, but they need to be bolstered, so that communities can be guided through the maze of procedures involved in obtaining grants, loans, and other assistance. And a body which could cut across agency lines in working with rural areas would be well worth while—an overall coordinating unit which could examine total community needs and assist in their resolution on a package basis. Perhaps the newly formed Oklahoma State agency, Office of Community Affairs and Planning, which Governor Hall described and which Dr. Evans referred to, could serve this role if it were properly augmented and funded.

Certainly it is vital to strengthen and encourage the presently established Oklahoma economic development districts, which the Governor also described, and such interstate agencies as the Ozark Regional Commission which can serve the purpose of fostering regional cooperation and sorting out the desirable projects from the undesirable projects a more local level.

TRANSPORTATION: THE MILK TRAIN DOESN'T STOP HERE ANYMORE

Senator Hubert H. Humphrey*

Senator HUMPHREY. A generation ago the train brought freight, passengers, express, parcel post, and the mail to most rural communities. Now we have railroad carrying part of the freight, passenger buses, REA Express trucks, separate mail trucks, and separate vehicles for everything paralleling and crisscrossing each other without giving us reasonably priced transportation or reasonable service on anything. We are now threatened with discontinuance of rural post offices and rural delivery in many places.

This committee could do a great service studying coordination of rural transportation services to improve its quality and reduce its costs. In some areas of the United States—the mountain wheat country, for instance—skyrocketing transportation and low farm prices are making profitable farming impossible.

You are going to find that there are sizable rural areas in the United States where transportation makes either dispersal of industry or a prosperous agriculture unfeasible unless the problem is solved.

One of the things that has disturbed me, and I appreciate your commentary, is the transportation facilities. I was home last weekend. My home is in Wright County, Minn., a little town called Waverley. While I was there I had two people come to see me, one a businessman from a little town called Winstead and another, a dairyman.

There are two subjects that I want to touch lightly. One is revenue sharing and the other is government reorganization.

We have consolidated a number of the smaller dairies and now we have got bigger trucks, for example. Of course, the dairy equipment is very expensive, this stainless steel and all that goes with it. We have county roads that will take up to 6 tons and some of them less.

This dairyman that came to me—I forget now, I think his dairy is in either Howard Lake or Winstead, one or the other—anyway, for them to get their milk into town they had to make a 60-mile extra trip to be able to drive this heavy truck on the highways that would take a truck that was hauling 7 or 8 tons. We have county roads that if you could go on the county roads you could just save 60 miles, but you had to get on a State highway that was a 7-ton highway and then ultimately on a Federal-State highway that would take up to 8 or 9 tons. Well, now, just that transportation problem alone added a terrific cost and these farmers protesting out there wanted me to change the regulations for them overnight. And I have talked to some people about it. We hope to get the situation corrected.

The other thing was that there is a business in the little town of Winstead that makes dairy equipment, the tanks and the refrigerating equipment and so forth, as well as one of the Nation's largest producers of streetlights, and they hire over 200 people in their plants. They have no railroad service. Mr. Railroad just quit. In fact, some decided that they were not going to town any more. In fact, some of the businessmen along that route have decided they want to run that section of the railroad themselves. Of course they cannot get enough money. This abandonment affects a whole series of towns. Then when you have 6-ton county highways you cannot get a truck on it because if you have to transship, move from a small truck to a larger one at a holding station like a depot and reload it takes time and money and increases your transportation costs.

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*Pages 160–161—Hearing II.

Unless we can do something about that problem very soon we are going to lose a business that employs a couple of hundred people, a large dairy cooperative that has gone to great expense to modernize to improve its facilities is jeopardized and nearly a thousand people—men, women and children—are in a serious predicament.

Nobody seems to consider when they decided to take the railroad off. Of course the railroads—we used to have railroads that went into towns, not through them. I do not know, I guess we will have to start doing like the Chinese coolie, carrying the stuff on our backs or the North Vietnamese, push it on bicycles.

I suppose you men have protested to high heaven about some of these rules and regulations, but I do not see any chance for rural development, unless we have transportation. This takes credit, as you mentioned, and surely transportation.

I ran right into the practical problem, not the theory of the official statements or even the practicality of the testimony. I asked a staff man to go out and look at it and go out and talk to our highway commissioner, talk to our legislators. This shows the lack of coordination you see here. Here is a county board that is essentially rural, but it has not come up to at least an understanding that a 6-ton highway is for go-carts and bicycles and wheelbarrows.

When you really get going in big operations with some of these big grain trucks like some of you have in your farm operations, you have seen those big grain trucks in northern Minnesota and South Dakota and they take big roads. If you have to transship and unload and reload the cost is incredible. I just toss this in as my part of the testimony, what I have seen happen in an area which is what I consider a rather productive agricultural area.

Our county, Wright County, is one of the largest dairy-producing counties in the United States. So when I start talking to you about dairying and dairying trucks I am talking to you about life and death. This is the breath of life out there.

Mr. Dechant?

Mr. Dechant. Just one additional observation. We now find that there are countless communities that not only do not have train service, but they have also taken off the bus service.

Senator Humphrey. Yes.

Mr. Dechant. So we have citizens out there that are completely isolated. They have no way to get to the county seat or to the capital. There is no more transportation. The buslines are out as well as the trains.

Senator **Humphrey**. Well, I hope that somewhere out of these deliberations and others that we can bring some sense to this, this Amtrack operation, new railroad system we have got. You know, you have got to be mighty big to get a train going by you, much less stopping. We have a train that goes through my little town of Waverley at about 60 miles an hour. It is rather hard to get a cream can on there unless you are rather a good shot.

Merle E. Davis, Mayor, Mapleton, Iowa [1]

II. *The transportation needs of the rural area must take into consideration more than just the economic feasibility studies of "traffic counts."* The supply of a new primary highway construction in the rural aras has not kept pace with modern automobile construction and speeds; plus railroad, and airline service continues to become more limited, and the absence of diagonal highways in Iowa linking the rural and urban centers with more direct transportation has saddled Iowa with built-in transportation inefficiencies.

Gov. J. J. Exon of Nebraska [2]

Roads—we must start planning now for new road improvement providing adequate transportation into and from rural America. Improved roads will provide economic arteries that will enhance all of our efforts to revitalize rural America.

Transportation for our rural American production that we have here, to be competitive—transportation costs and the availability of transportation must be competitive. Rail and freight rates must be at a level that will encourage our competitive situation in the rural areas. Our air service is presently of great concern to us in Nebraska with one unwilling and financially troubled carrier reducing service to the point of no return.

Statement of Ernest R. Collins, Chairman, Board of Directors, Central Nebraska Community Action Council, Loup, City, Nebr.[3]

Mr. **Collins**. Senator Curtis, Senator Bellmon, as chairman of the Board of Community Action in Loup City, it appears to me many of our problems have been discussed but our main problem has been our area runs across the State about 100 miles wide and about 50 miles in depth. We have talked to Federal people about transportation and they don't seem to think it is such a wide area. So, in other words, I would say one of the things we probably need in ours is improved roads. I think that was brought out today. Then many of our communities have no transportation services at all.

Senator **Curtis**. No public transportation?

Mr. **Collins**. No public transportation, and we have a lot of elderly people in Nebraska, in rural areas. Many of our pople are 60 years of age, don't drive a car, don't have a doctor in the community, things like that. But I think our whole economy is somewhat based upon the income of farmers and if you might allow me, in 1950 corn was $1.29; today it is $1.01 and milo was $1.97; now is $1.44.

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[1] Page 384—Hearing III.
[2] Page 189—Hearing V.
[3] Page 189—Hearing V.

RAY HARGENS, SECRETARY, IOWA ASSOCIATION OF ELECTRIC CO-OPS*

Following the completion of the present interstate highway system, freeway-type highways should be extended to rural areas for the specific purpose of encouraging industry to locate in those areas and to facilitate the movement of agricultural products to market.

The railroads are discriminating against midwestern farmers in the form of rail transportation rates, particularly on wheat and other farm commodities. In Montana, for example, the cost of transporting wheat is double when compared to the southern States where the railroads compete with water transportation. Add to this the inability of the railroads to provide adequate boxcar facilities and you can plainly see the effect the railroads are having on rural America.

Senator HUMPHREY. If you would tell me how we ever get those railroads to get those boxcars around I would be the happiest Senator in the U.S. Senate. I have spent half my life chasing boxcars. [Laughter.] I swear, every time the crop season comes up, those boxcars—they have got them laying over in Philadelphia where they are not growing soybeans in Philadelhpia.

Mr. HARGENS. They are not where they are needed.

Senator HUMPHREY. It is terrible. I have been of the opinion that the government should build them and lease them out to the railroads. I do not know of any other way to do it. Even for defense purposes. You farmers ought to get a little madder than you have been about that. I have had a full head of steam on for 25 years about boxcars. Every July, every June, that I have been in government I have had a delegation of farmers come charging down on me and saying where are those boxcars, as if I ran the railroads, and we never can get the Interstate Commerce Commission to get them delivered up.

Mr. HARGENS. It is quite a feeling for a farmer when you are in the harvest season like on beans or something and no place to go with them. When the time is there, the time is there.

Senator HUMPHREY. There are terrible crop losses because of them. I think there is a railroad listening.

Senator MILLER. I think all of us from the Middle West spend an awful lot of our time trying to get boxcars out to some of these areas. I think the main factor is the low demurrage rates which let them stay in the East without penalty, at least a penalty that will not cause them to send cars out here.

We will do all we can. It is a serious problem.

Mr. HARGENS. Fine. We suggest major reforms in the government's transportation policies and control over uniform rail rates be mandatory.

The existence of commercial air service has also become a requirement for the location of the industry. Originally, all trunk lines received a subsidy. When they became self-sufficient the subsidy was gradually eliminated. Now today all of the local service airlines receive a subsidy which is similarly being reduced.

There are many small communities which need third level or commuter airline service and could support it if the third-level airlines would receive the same subsidy the trunk lines have received in the past and the local airlines presently receive.

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*Pages 576–577—Hearing III.

This would facilitate the movement of freight and personnel and encourage industry to locate in smaller communities.

Testimony of Gov. David Hall of Oklahoma*

Senator Humphrey. You have also indicated the importance of transportation to the further development of the State.

Could you give use any indication of what studies you have made have revealed with respect to transportation rates charged by common carriers and the impact that those rates, rate structures, seem to have on either encouraging or discouraging development of industry, of jobs, in any part of your State?

Governor Hall. Yes, a tremendous impact. In fact, the visit that you made today to the machine works in Perry, one of the reasons that that is such an ideal location is its adjacentness to a highway in which movement by truck is possible. The rail beds that move there are excellent. And the future port development as the Arkansas begins to come into its own has made that one of the most competitive areas in the country for freight rates, which is by rail, by water or by truck. But that is directly related to the opportunity to move, ground transportationwise, from the point where the product is made to the distribution points.

We have found that we have lost industries in certain parts of this State because we could not guarantee ground transportation from the plant site to the areas of distribution. We think it is significant that the failure of farm-to-market areas many times has cost us industrial development, and we feel that we should furnish those statistics to you, Senator, and perhaps give you the benefit of what we found in our own rural development.

Senator Humphrey. I think it would be very helpful to us. You have a statewide airport system for landing strips that will take small jets as well as the propeller-driven planes. Do you find this of importance to your development structure?

Governor Hall. Yes. Our Aeronautics Commission has done an outstanding job on a bipartisan basis through the past three administrations. We have been able to effectively put an airport of substance in all but six of our 77 counties. There are only six counties now which do not have an airport capable of handling the type of transportation you are talking about. This is one of the needs that we have developed through the work of our Aeronautics Commission, and the Ozarks Regional Commission. In the eastern part of the State, Ozarks has helped underdeveloped cities improve their airport situations commercially and not just for pleasure.

Gov. David Hall of Oklahoma**

In the past, we have often abandoned what we considered valid old methods toward new ideas. This has sometimes been a mistake. Let me give you a concrete example—our railroads. The advent of air

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*Pages 11–12—Hearing V.
**Page 9—Hearing V.

travel, innumerable automobiles and motor transportation have caused rails to diminish in importance. A massive allotment of American land space—laced with rails—has in this last 10-year period become largely idle.

Some 4 years ago, the Oklahoma Legislature allocated $15,000 for the study of the utilization of rails leading to Tulsa and Oklahoma City, our two largest urban areas, as a wagonwheel system for commuters into our urban areas.

The Department of Transportation was asked to assist. The legislature was told by DOT that there were no matching funds available to determine the feasibility of such a system. State representative Jim Townsend has championed this idea—virtually single-handed. The State study reflects that for an investment, only in rolling stock and labor—the State could open 27 counties and some 1.6 million persons to commuter opportunities. Both the Federal Government and the railroads seem disinterested in this concept.

Such a rail system could serve the same 35,000 Oklahomans who daily commute to Oklahoma City and Tulsa. It also could relieve heavy traffic on freeways and other State roads. It would provide a new opening by expansion of bedroom communities in smaller towns.

Rail transportation in lesser developed regions should be studied, I feel, and encouraged by this subcommittee. That is one of the recommendations I make today. It is a national need if we are to spur and encourage rural development.

Another area of investment need is building and maintaining State and farm-to-market roads. The Federal highway trust fund program has been creative and has been helpful in interstate highway building and construction of secondary roads.

Upon assuming office last January, this administration identified 294 deathtraps across this State, which largely failed to qualify for any Federal matching funds. Because of our legislators', individually and collectively, courage in enacting a new revenue program, we started a drive to repair these deathtraps. This was almost exclusively an unmatched money situation, but the work was critically needed.

If the rural areas of America are to prosper, excellent transportation systems are vitally important. This includes imaginative use of rails and better quality roads and highways, particularly in the farm-to-market area. These are active building programs which a responsive government can enter, lead and produce within. But the real key to building the rural areas—that is investment capital.

TESTIMONY OF GOV. DAVID HALL OF OKLAHOMA*

Senator **HUMPHREY**. What kind of vehicles would you suggest be used on these abandoned rail beds?

Governor **HALL**. We think that a rail system first would be the most economical, using the rolling stock that is not now being used because of the idleness of the use of rail facilities.

For example, our own passenger service in the State is almost nonexistent. We have a couple of lines going through now compared with 10 or 15 in years past.

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*Page 14—Hearing V.

We are talking about now urban commuters in the particular testimony that I gave.

Senator CURTIS. You probably follow a pattern of not having the railroads do it, but some new entity leasing the use of the lines.

Governor HALL. Yes, sir. We suggest that as an alternative. We feel that the concentrated effort to produce more money for mass transit urban activity is not the entire answer. We are led to believe nationally that that is the most serious transportation problem. We think it is just as serious that we move people back to the rural areas from the cities as to develop these mass transit systems within the cities.

GOVERNOR FORREST ANDERSON OF MONTANA*

Federal subsidies to equalize and reduce transportation costs for the agricultural products of the region would be a great benefit to Montana and the other rural states.

Inequitable freight rates is one of the most severe problems facing the rural economy. For years, the federal government has subsidized the construction of port facilities to develop commerce in the littoral regions of the country. At the same time, the availability and cost of transportation has restricted commerce in the interior regions. High freight rates have historically penalized the agricultural producers of Montana, the Plains and Mountain States.

GREEN EAGLE TRANSPORTATION COOPERATIVE**

(NORTH CAROLINA)

The Green Eagle Transportation Cooperative serving Watsauga, Avery, Mitchell and Yancy Counties in North Carolina, was chartered in April 1969. An incentive grant of $6,000 from the WAMY CAA provided money for initial costs of getting on the road. This was followed in October 1969, with an OEO grant of about $40,000, and in October 1970, with an OEO grant of approximately $40,000; all OEO grants were made to WAMY Community Action, Inc.; Green Eagle is a delegate agency of WAMY, OEO funds are from the Regional Office. After a year and a half, membership had grown to 530 (membership is obtained by buying a $5 share of stock in the co-op); income had grown to well over $4,500 per quarter; 152 people depended on the system to get to work—92 of these had gotten jobs during the preceding 10 months because they now were able to get to them, of those 92, 67 had been on welfare roles. In additional to providing transportation to jobs, the system carries people to town where they can get medical services, education classes, less expensive shopping opportunities; cash their SS checks; find inexpensive entertainment, etc. The cooperative also makes charter trips for Senior Citizens, Churches, Boy Scouts, etc.

The *co-op members* each have one vote in determining the fares to be charged; the routes; what vehicles are purchased and when; and also have the strongest role in recruiting new members. Only members can ride the buses; members in a specific area are well aware that operating an economically feasible route and keeping the fares down in their specific area requires that they insure a sufficient number of riders. The riders (members) have a very large role to play in this system; it is theirs, they control it and the responsibility for keeping the system running falls on each of them. Each county has a vehicle and a county chairman; each county's board has responsibility for the operation of the system in that county.

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*Page 111—Hearing I.

**Pages 244–245—Hearing I.

CHAMPLAIN VALLEY TRANSPORTATION CORPORATION

(VERMONT)

The Champlain Valley Transportation Corporation (CVTC) was started as a non-profit corporation in 1969 to serve Chittendon, Grande Isle, Franklin and Addison Counties of Vermont. Direct funding to date has come from OEO: approximately $436,000 for three years.

This system has 9–10 passenger buses and 3–60 passenger buses which run daily routes to pick up passengers; contract runs for Head Start, Day Care and Special Schools; charter runs for Senior Citizens, CAA groups, and other local groups as well as charter runs for "profit" to offset the limited income from the daily routes. One county has initiated a dispatch system instead of regular routes, to test whether that would be a more utilized system. The Public Service Board approved by them. Since the daily routes have not proved to be as well utilized as anticipated, CVTC is attempting to develop even more contract runs to serve clients of human service agencies (e.g. manpower trainees, welfare clients). The Corporation is trying to work out an acceptable system for these agencies whose regulations are presently rather prohibitive on contracting transportation services to a third party. The Corporation also has permission from the Public Service Board to carry parcels and is doing so. CVTC has a garage component which provides maintenance/repair work on the fleet vehicles. At the same time, the garage is a training site for manpower trainees and does repair work on low-income people's cars.

The Corporation is governed by a Board of low-income representatives elected by low-income residents from the four counties served. The Board determines the routes; what direction the system will take—i.e. regular routes dispatch system, contracts with State agencies; and assists in the selection of new staff. The Board members attend local meetings of CAA, Senior Citizens and other groups and hold hearings to remain responsive to their constituent communities.

ROBT. W. SHIVELY, INDUSTRIAL DEVELOPMENT MANAGER, NEBRASKA PUBLIC POWER DISTRICT, COLUMBIA, NEBR.*

Rural America generally is removed from the major markets and concentrations of population. This is especially true in the Great Plains. In addition to our distance from markets, we have transportation disadvantages. Improved transportation in rural America would do much to make this area more attractive to industries. Consequently, I recommend three steps be taken by the Federal Government to improve transportation facilities in rural America.

(1) Following the completion of the Interstate Highway System as presently planned, freeway/expressway-type highways should be

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*Pages 257–258—Hearing V.

extended to rural areas to encourage industry to locate there and to facilitate the movement of agricultural products to market. The Nebraska 20-year freeway/expressway plan scheduled for completion by 1989 is an example of the highway programs that should be made available to rural America (see attached map). A highway system like this throughout rural America would open up vast new areas for industrial locations.

(2) The availability of commercial air service has become a requisite for the location of industry. Many sizable communities in Nebraska do not have commercial airline service, and several of those communities presently enjoying it are threatened with cessation of service or a decrease in the level of service. It is not economically feasible for many of these communities to be served by trunk or local service airlines. They could, however, support third level or commuter airline service, providing the third level airlines receive the same encouragement from the Federal Government that trunk lines have received in the past and local service airlines presently receive. I propose the Federal Government adopt a program of encouraging third-level airline service to smaller communities by providing the same type of subsidy program for them that helped develop the vast network of commercial airlines we now have. The extension of commercial service through third-level airlines would help greatly in encouraging industry to locate in smaller communities, facilitate the movement of freight and personnel, and make life in smaller communities more enjoyable by improving their accessibility to metropolitan areas for shopping, business, and vacation trips.

(3) The present freight rate structure in America, especially that of the railroads, greatly discriminates against rural areas. It was developed before the turn of the century and was designed to facilitate the movement of raw materials from the West and Middle West to the manufacturing centers of the East. The same basic rate structure exists today. It encourages the movement of raw materials from the producing areas in the Middle West and discourages the development of processing and manufacturing plants there. At the same time it encourages the further concentration of manufacturing in the established areas, principally in the East and Northeast. I propose that the Congress authorize a study to determine what steps are necessary to eliminate the present discriminatory freight rates that encourage the concentration of industry in a small area of the country and discourage the developement of industry in rural area.

DR. DALE G. ANDERSON, ASSOCIATE PROFESSOR OF ECONOMICS, UNIVERSITY OF NEBRASKA AND DR. JOHN RICHARD FELTON, PROFESSOR OF ECONOMICS, UNIVERSITY OF NEBRASKA, LINCOLN, NEBR.*

Mr. Felton and Mr. Anderson: The importance of transportation to economic development is well known. The great industrial growth which characterized the American economy in the last third of the 19th century has long been attributed to the growth of the railroad network, and transportation facilities invariably constitute a major element in the infrastructure plans of developing countries. While Nebraska and the other Great Plains States are scarcely underdeveloped areas, as that term is generally used, they do exhibit a very slow population growth, relatively meager industrialization, and a per-capita income which is generally below the national average.

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*Pages 228–255—Hearing V.

Where, as in the Great Plains, much land possesses little alternative use except in agriculture, where the products of land are typically bulky in relation to their value, and where the major consuming markets for those products are at a considerable distance, transport efficiency is of crucial concern. Since rail transportation enjoys its greatest advantage over highway transportation in the movement of low-value goods over significant distances and since water transportation is confined to a limited number of routes, it is the efficiency of the railroad system which looms largest in any consideration of the relevance of transportation to the economy of the Great Plains.

The greater sensitivity of agricultural commodities than manufactured products to freight rate levels is revealed by a comparison of the percentage which freight charges bear to the delivered price of the product. The most recent Interstate Commerce Commission study of freight revenue as a percentage of the wholesale value of commodities at their destination revealed that almost 11 percent of the delivered price of grain consisted of rail freight charges while such charges accounted for only 4 percent of the delivered price of manufactured products and about 6 percent for all products, including grain and other agricultural commodities.[1]

Transportation is also a vital factor in the movement of the inhabitants of rural areas. The steady migration of persons from rural to urban areas forces an increased reliance on transportation upon remaining rural residents. Some 20 million U.S. citizens moved from rural to urban environments between 1945 and 1970.[2] In 61 of Nebraska's 93 counties population declined by more than 5 percent during the decade of the 1960's:[3]

Relatively low population densities in much of the Great Plains require substantial movement of people for shopping, education, professional services, and cultural activities. Technologically induced size economies in many of these activities have resulted in an accelerated reduction in their number. The number of most rural-based commercial establishments has gradually declined. Professional services have gravitated to the large towns and cities. More than 61 percent of Nebraska's physicians practiced, in 1966, in either Lancaster or Douglas county. Twelve Nebraska counties had no medical doctor; 25 had no hospital.[4] South Dakota researchers found that persons in northwest South Dakota seeking medical care outside their home towns traveled an average of 56 miles.[5]

Consolidation has made the one-room country school virtually a thing of the past; busing of rural Nebraska children to distant schools is a normal occurrence. Nebraska country elevators declined in number from 892 in 1958 to 826 in 1968, resulting in increased average distance from farm to market.[6] Many more instances of reduced services could be cited: all create added rural dependence on transportation.

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[1] Bureau of Transport Economics and Statistics, ICC, *Freight Revenue and Wholesale Value of Destination of Commodities Transported by Class I Line-Haul Railroads, 1959* (Washington, D.C., October, 1961), pp. 16, 29, and 21. Grain is defined here as consisting of wheat, corn, sorghum grains, oats, barley, rye, and soybeans.

[2] U.S. Senate, *The Economic and Social Condition of Rural America in the 1970's*, Committee Print, prepared for the Committee on Government Operations, 92d Congress, 1st Session (Washington, D.C., 1971), pp. 4–6.

[3] *U.S. Census of Population*, 1960 and 1970.

[4] Warren H. Pearse, C. A. McWhorter, Rena Boyle, and Suzanne Remy, *Medical Manpower for Nebraska* (Oklahoma: University of Nebraska Medical Center, no date), pp. 68–70.

[5] Mark J. Powers, and Leland G. Bierman, *Supply and Demand of Medical Services in Northwest South Dakota: An Economic Analysis*, Agricultural Experiment Station Bulletin 568 (Brookings: South Dakota State University, 1970), p. 27.

Increases in agricultural productivity have reduced greatly the number of farms and farmers. In Nebraska alone, farm numbers declined by an average of about 2,000 per year during the 1960's.[7] The lower farm population has, in turn, induced declines in the size and vitality of many of the smaller Nebraska towns. Nebraska towns having a 1970 population of between 1,000 and 2,500 grew an average of only 2.5 percent between 1960 and 1970. Towns and cities with a population greater than 2,500 increased in size by 19.2 percent.[8] Of the 120 Nebraska towns of 1,000 or more persons, 24 lost population during the 1960's.[9] Only 63 towns experienced a gain; population in the remaining communities remained stable.

Population of many rural areas has waned while size economies for business and service activities have increased, thus subjecting these communities to a double squeeze. The squeeze has been particularly severe in terms of transport resources. A reduction in number of transport customers has occurred just when a greater concentration of traffic is needed to achieve expanded size economies. Economics have dictated larger trucks, rail cars, aircraft, buses, and terminals that serve these modes. Carriers are increasingly finding it unprofitable to serve smaller rural towns and cities. Provision of efficient and economical transport service to areas of low-population density is clearly a challenge.

Just as technological change and the accompanying greater productivity on the farm have had their impact in rural areas, so has technological change and greater productivity affected the railroads and the shippers which they serve: *e.g.* Centralized traffic control, automated classification yards, centralization, automated maintenance of way, continuous welded track, larger and more specialized freight cars, and unit trains. These changes have enabled railroads greatly to increase per-man-hour output and to reduce rates on agricultural products over the course of the last decade.[10]

At least two of the technological changes in the railroad industry, the development of the unit train and larger and more specialized freight cars, have and will continue to have important consequences for agriculture in the Great Plains area. The unit train of jumbo hopper cars can reduce the out-of-pocket costs of grain transportation to the range of about 3 to 5 mills per ton-mile and promises to expand the size of the market for profitable grain shipment from the Great Plains.[11]

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[6] *Nebraska Grain and Feed Directory and Buyers Guide* (Lincoln: Nebraska Grain and Feed Dealers Association, 1959 and 1969 editions).

[7] U.S. Census, *op. cit.*

[8] E. S. Wallace, "Population Changes in Nebraska Cities," *Business in Nebraska*, Vol. 50, No. 19 (February 1971), p. 3.

[9] "Rural Population Slide Has Found No Bottom," *Omaha World Herald*, Evening Edition, December 2, 1970, p. 1. Information in the news release is from 1960 and 1970 *Census of Population*.

[10] Between 1960 and 1969, the index of railroad freight rates for agricultural commodities declined 5 percent. *Agricultural Statistics, 1970* (Washington: GPO, 1970), p. 461. During this same period, the average of all prices (the implicit price deflator for total GNP) rose 24 percent. Economic Indicators, August, 1971 (Washington, GPO, 1971), p. 2.

[11] John Richard Felton, "Technological Changes and Internal Economies in Railroad Transport," American Journal of Agricultural Economics, vol. 50, No. 3 (August, 1968), pp. 726–7.

The reduction in the cost of transporting grain relative to grain products has induced a shift in the locus of grain milling operations from locations near grain growing areas toward major consuming market.[12] On the other hand, technological change in the railroad industry has had precisely the opposite effect on the location of slaughterhouses. The development of economical and efficient refrigerator cars has reduced the cost of transporting animal carcasses relative to that for live animals. This, in turn, has induced a decentralization of such activities in the direction of livestock feeding areas.[13]

The combined effect of the introduction of larger and more specialized freight cars and the development of the unit train has been to reduce the costs of large volume shipments relative to small ones. Thus, railroads have found it increasingly unprofitable to accept less-than-carload lots and to maintain service on branch lines. As a consequence, rail service to communities located on branch lines with a small potential volume of commodities for export has deteriorated in recent years.

Highway carriage is inherently a smaller volume operation than is railroad transportation. Not only is the load unit, the trailer, considerably smaller than a freight car, but also the unit of operation, tractor and trailer or trailers, is far smaller than a train consisting of a long string of cars. Furthermore, the completion of the interstate system through Nebraska should reduce highway carrier operating costs which are, of course, materially affected by the limited access, nonstop character of the interstate system. Nevertheless, even under the best operating conditions, the line-haul costs of highway carriers tend to be some multiple of rail line-haul costs.[14] Therefore, even when the higher terminal and inventory costs associated with rail shipment are taken into consideration, the highway carrier is the most economical mode of transport only for small shipment sizes over short distances. Where the goods are of relatively low value, such as grains, the advantage for shipment sizes of 30 tons or more may be limited to distances less than 50 miles.[15] In short, technological change in rail transportation has been a mixed blessing to rural areas and highway carriage appears to be a high cost alternative.

Public passenger transportation service, whether by air, rail or bus has been even more seriously affected. First, the decline in rural population has reduced available passenger traffic to and from rural communities. This in turn has motivated carriers to reduce quantity and quality of service in an effort to maintain profitability or to reduce losses. Deterioration in services discourages still more people from using public transport, and the situation further worsens.

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[12] Jeff Maillie and Dale Solum, "An Analysis and Evaluation of Factors Which Are Deletions to the Competitive Interests of the Mid-America Wheat Flour Milling Industry," final report for the Mid-America Governor's Transportation Committee and 14 Mid-America Milling Companies, Midwest Research Institute, Kansas City, Mo., July 1, 1968, pp. 12–48 (mimeographed); and Bruce H. Wright, "Regional and Sectoral Analysis of the Wheat-Flour Economy," Economic Research Service, USDA, Marketing Research Report No. 858 (Washington, D.C., October, 1969), pp. 28–9.

[13] J. Marvin Skadberg, "Livestock Producer Marketing Patterns in the Upper Missouri River Basin," in Thomas T. Stout, ed., Long-Run Adjustments in the Livestock and Meat Industry: Implications and Alternatives, North Central Regional Research Publication 199 (Wooster, Ohio: Ohio Agricultural Research and Development Center, 1970), pp. 51–64. Improvements in trucks and in highways have also contributed to the decentralization, particularly in more recent years.

[14] Ann Friedlaender, "The Dilemma of Freight Transport Regulation" (Washington, D.C.: Brookings, 1969), p. 39.

[15] *Ibid.*, p. 42.

Secondly, the increased popularity of the private automobile has diverted traffic from motor and rail carriers to the point that passenger business has all but vanished for these modes. Automobile registrations in the United States more than doubled from 1950 to 1969. In Nebraska, registrations increased by 52 percent over the same period.[16]

Air carriers have been responsible for diversion of considerable long-haul passenger traffic from the surface carriers. Increased speed, comfort, and reliability of air travel have made this mode particularly attractive to travelers. Size economies associated with both aircraft and airport operations put ready access to air service out of reach of residents of all but the larger cities. Even now, persistent complaints of financial losses are voiced by feeder lines serving Nebraska and other Great Plains States.[17]

Charges of railroad freight rate discrimination have been voiced frequently by shippers in many areas. Shippers of agricultural products from Great Plains origins, in particular, have long contended that rate structures affect them adversely and unjustly.

Commodity and place discrimination, usually referred to as value-of-service pricing, has long had the support of the Interstate Commerce Commission.[18] Pursuant to the value-of-service principle, buyers of transportation service are segmented into groups having similar demand characteristics. Each group is then charged on the basis of willingness to pay. Buyers whose demand schedules are more elastic pay less than those who have inelastic demands. Farmers, owing to the immobility of the labor and land resources committed to agriculture, are a prime example of shippers with an inelastic demand for transportation.

The rationale for the value-of-service pricing system is that lower rates to shippers with elastic demands may actually benefit shippers with inelastic demands by reducing the contributions to overhead which the latter group must make. There are two difficulties with this argument:

1. The Commission may not, in fact, insist upon the reduction of rates to shippers with inelastic demands by virtue of the contributions to overhead provided by shippers with elastic demands.

2. The contributions to overhead from shippers whose demand for transportation is elastic may be insufficient to cover the long-run investment, as well as operating costs associated with such service. Under such circumstances farmers, rather than enjoying lower rates because of discrimination in favor of nonagricultural products, will actually be required to subsidize the movement of many non-agricultural commodities.

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[16] U.S. Bureau of the Census, "Statistical Abstract of the United States," 1952 and 1970 editions (Washington: Government Printing Office, 1953 and 1970), pp. 498 and 545 respectively.

[17] See, for example, "Air Service for Main Street, U.S.A., Can it Continue?" (Denver: Frontier Airlines, undated), pp. 3–4; and "Subsidy for Public Service" (Denver: Frontier Airlines, 1971), 16 pp. Losses allegedly incurred in serving smaller Great Plains Communities are blamed on sparsity of available passenger traffic. Frontier maintains the release of additional CAB subsidy funds is needed to permit continued service to these communities.

[18] ICC, "Value of Service Pricing," Statement No. 5912 (Washington, D.C.: 1959). *See especially* pp. 357–61.

Rate discrimination as practiced by railroads may take one of two forms. One variant, place discrimination, exists where a carrier segments purchasers of its services into geographic markets on the basis of their willingness to pay. Thus, a railroad customer shipping wheat from North Dakota to Oregon might pay more than one shipping wheat from Colorado to Oregon even though costs were substantially the same for each shipment. A nondiscriminatory rate structure would require equal rates for hauls over which costs are equal, rates proportional to costs where costs are unequal.

The second variant, commodity discrimination, arises where market segmentation occurs along commodity lines. Thus, the ratio of rates to transport costs may be greater for wheat than it is for wheat flour. The shipper of wheat then is discriminated against relative to the shipper of flour.

Great Plains farmers are especially vulnerable to rail rate discrimination. Their isolation from centers of manufacturing and consumption forces heavy reliance on transportation media. Their resource base, especially the relatively inflexible land resource, has proven best suited to the production of the kind of heavy, bulky products which railroads are best equipped to transport. Rail costs per ton-mile are generally substantially lower than truck costs for long-haul shipments of agricultural products. Barge costs are frequently less than for comparable rail shipments,[19] but the limited number of water routes allows for only limited competition from this mode.

Research conducted at the University of Nebraska provides evidence of both commodity and place discrimination directed against Great Plains shippers. Wide differences were found in the ratios of rail revenue to out-of-pocket costs [20] in the exports and imports of the Northern Great Plains States in comparison with the United States as a whole. Indexes of revenues to out-of-pocket costs for the 15 most important (based on tonnage) commodities transported by rail to and from each of the Northern Great Plains States were in every case higher than the ratios for the entire United States (see table below).[21]

In other research it was found that rail shipments of wheat from Great Plains origins were discriminated against relative to shipments from other areas. Ratios of revenue to out-of-pocket costs ranging in value from less than one to more than five suggest widespread place discrimination. States in the Northern Great Plains were particularly disadvantaged. For example, the ratio for North Dakota intrastate shipments in covered hopper cars was 4.0 compared with only 1.1 for shipments from Missouri to Louisiana. The average weighted ratio (weighted by number of carloads) for shipments by common boxcar from all shipping states was 1.6—significantly lower than weighted ratios for North Dakota (2.2), Montana (2.1), South Dakota (1.9) and Nebraska (1.7). Ratios for shipments from Texas and Missouri were only 1.1 and 1.2, respectively.

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[19] There is evidence that rail rates are highly responsive to competition from barges. See Friedlaender, *op. cit.* pp. 57–9.

[20] "Out-of-Pocket costs" are the ICC's version of long-run marginal costs. This cost measure has certain deficiencies when used for rate-making purposes, but is useful in comparative analyses such as commodity or geographical revenue-cost relationship comparisons.

[21] John Richard Felton, "Commodity Rate Discrimination in Railroad Transport," in Jack R. Davidson and Howard W. Ottoson, Eds., "Transportation Problems and Policies in the Trans-Missouri West" (Lincoln: University of Nebraska Press, 1967), pp. 66–8.

INDEX OF WEIGHTED (BY TONNAGE) RATIOS OF REVENUES TO OUT-OF-POCKET COSTS FOR THE 15 MOST IMPORTANT COMMODITIES TRANSPORTED BY RAIL TO AND FROM EACH OF THE NORTHERN PLAINS STATES AND FOR THE UNITED STATES AS A WHOLE (1961)

[Based on tonnage]

Area	Origination	Termination
North Dakota	140	[1] 126
South Dakota	130	[1] 114
Nebraska	120	[1] 138
Kansas	151	[1] 151
United States	113	113

[1] Exclusive of terminations of intrastate origin because such shipments are recorded among originations.

Source: John Richard Felton, "Commodity Rate Discrimination in Railroad Transport," in Jack R. Davidson and Howard W. Ottoson, "Transportation Problems and Policies in the Trans-Missouri West" (Lincoln, University of Nebraska Press, 1967), p. 68. Ratios were calculated from Interstate Commerce Commission, "Carload Waybill Statistics, 1961," Statements SS-2 through SS-7, and "Distribution of the Rail Revenue Contribution by Commodity Groups, 1951" (Washington, D.C., 1953 and 1964).

Much of the discrimination appeared to be related to intermodal competition or the lack thereof. Longer hauls, for example, tended to be discriminated against relative to shorter hauls—a response, perhaps, to more intensive truck competition for the shorter movements. Wheat shipments to the gulf coast fared rather well; barge competition seems the most likely reason. The same general pattern of discrimination prevailed during the 2 years analyzed (1958 and 1966), indicating the persistence of the practice and the potential for longrun misallocation of resources.[22]

While the level of freight rates has been a continuing source of friction between agricultural interests and the railroads, a problem of perhaps equal intensity and antiquity has been that of car supply. In the very first case docketed before the Interstate Commerce Commission, several shippers complained that the St. Paul, Minneapolis and Manitoba Railroad Co. had denied them cars.[23] Furthermore, as early as 1907, the ICC undertook its own investigation of the alleged inadequacy of the freight car supply and reported that:

> Evidence taken at Chicago related to conditions in the grain fields of Iowa, Nebraska, Kansas and Oklahoma . . . All dealers told the same story of the failure of transport facilities . . . Elevators in North Dakota have been closed for lack of cars to take away their wheat.[24]

Subsequent hearings before the ICC and congressional subcommittees suggest that the problem has not diminished. In his opening statement at the 1969 hearing on freight-car supply, Senator Hartke declared: "Since 1966 the problem of freight car supply has grown much worse." [25] Last year he again pointed to the urgency and persistence of the problem: "We met on freight car shortages less than a year ago . . . the situation today is no better. The shortage situation is worse." [26]

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[22] Dale G. Anderson and Brian L. Mariska, "Place Discrimination in Rail Shipments of Wheat From Great Plains Origins," Agricultural Experiment Station Research Bulletin 243 (Lincoln: University of Nebraska, 1971), pp. 5–6, 29 and 32.

[23] *Holbrook v. St. Paul, Minneapolis and Manitoba Railroad Co.*, 1 ICC Rep. 102 (1887).

[24] *In the Matter of Car Shortage and Other Insufficient Transportation Facilities*, 12 ICC 561, 568 (1907).

[25] Freight Car Supply. Hearing before the Subcommittee on Surface Transportation of the Committee on Commerce, U.S. Senate, 91st Cong., 1st Sess., May 13, 1969 (Washington, D.C., 1969), p. 1.

[26] Freight Car Shortages, Tearings before the Special Freight Car Shortage Subcommittee of the Committee on Commerce, U.S. Senate, 91st Cong., 2nd Sess., March 24, 25 and April 2, 1970 (Washington, D.C., 1970) p. 1.

The factors which create a shortage of freight cars in the Great Plains States can be identified as follows:

1. The imbalance of east-west traffic. Commodities moving east are, for the most part, low-value goods, while commodities moving west are generally of higher value. As a consequence, a greater number of cars will be required to move a given aggregate value of commodities east than west.

2. The existence of destinations beyond the confines of a railroad's lines so that it must relinquish control of its freight cars to other railroads. In practice, this means that there will be more loaded car movements from west to east than east to west. It also means, of course, that there must be some flow of empty cars from east to west.

3. A car rental, or per diem, system which historically has failed to cover the prospective ownership costs of newly acquired freight cars. As a consequence, Eastern railroads have found it profitable to divert cars owned by Western railroads to their own use and pay per diem charges rather than to purchase their own equipment.

Between 1956 and 1967 the percentage of the Nation's box and covered hopper car fleet owned by Eastern railroads declined from 39 percent to 31 percent. Differently stated, 64 percent of the decline in box and covered hopper car ownership between 1956 and 1967 is attributable to the Eastern railroads.[27] This decline in the proportion of box and covered hopper car ownership accounted for by Eastern railroads was accompanied by a corresponding rise in the ratio of cars on Eastern lines. In 1960 the Eastern railroads had only 8 percent more boxcars than they owned; by 1968 it was 20 percent. During this period the opposite trend was manifesting itself in the Upper Great Plains. There the railroads had about 7½ percent fewer cars on line than they owned in 1960 while in 1968 the percentage had risen to 18.[28] As a result, the Upper Great Plains railroads were subsidizing Eastern ones, with Plains States' shippers the source of the subsidy.

A further consequence is the well-known "car shortage," the inability of Western shippers to secure freight cars in sufficient numbers at the times and places desired. It is true that the Association of American Railroads and the Interstate Commerce Commission have attempted to utilize other means to influence freight car allocation. Both have promulgated car service rules to induce the return of cars to their owners and car service orders to require the transfer of cars from Eastern railroads to Western railroads without regard to ownership. The evidence to date would suggest that car service rules and orders have been no more successful than the per diem system in achieving a rational allocation of the freight car fleet.

It is easier to identify problems than it is to devise sound and acceptable solutions. It is also easier to engage in special pleading than it is to render an objective appraisal. Let us emphasize that we are making no argument for favored treatment to overcome the inherent disadvantages under which the Great Plains States operates. After all, this area also possesses important advantages, such a fertile soil, unpolluted air and water, uncrowded communities, a willing and able work force, and good educational institutions. If we were to expect favored treatment to compensate for our handicaps, we might have to endure compensating penalities to offset our inherent advantages. What we seek merely is the amelioration of the artificial handicaps under which we labor. Let us suggest a few possible ways in which such handicaps might be reduced.

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[27] R. J. Tosterud and D. C. Nelson. "A Base Study of the Box and Hopper Car Supply Problem in the United States" (Fargo, N.D.: Upper Great Plains Transportation Institute, North Dakota State University, Sept., 1969), p. 26.

[28] Ibid, pp. 56–7.

The establishment of a cost-oriented railroad rate structure is in keeping with a national transportation policy that is committed to the preservation of the inherent advantages of all modes of transportation. Value-of-service seems highly inappropriate as a primary ratemaking consideration. Nor has discrimination been in the long-term best interests of the regulated. The gradual diversion of high-rated traffic from the railroads to competing modes is a well-documented fact. The solution would seem to lie in congressional action requiring the ICC to abandon its historic adherence to value-of-service ratemaking and to embrace an economic concept of discrimination.

S. 3223, introduced into the second session of the 91st Congress, would require the ICC to adopt a new per diem system which would raise per diem rates to the level of the daily reproduction cost of car ownership rather than the daily historical cost of such ownership. While we have no doubt that the resulting per diem charges would more nearly reflect the relevant economic cost of car ownership, we have two fundamental objections to this bill:

1. It is the prospective daily ownership of newly acquired freight cars which is relevant to the investment-decision process, not past costs, whether or not such costs are adjusted for current price levels.

2. No inflexible and rigid per diem system will be satisfactory. Per diem rates should be flexible so as to respond to seasonal and geographic variations in demand. Under such a system rates would rise during periods of greatest demand and fall during offpeak periods. Cars would also gravitate to those areas where they have the greatest value rather than to any location where the value of the car is as great as the per diem rate. It would also be possible to dispense with the elaborate car service rules and arbitrary car service orders, for the crucial problem in freight car supply is not the return of cars to their owners—a costly and wasteful process—but getting cars to those shippers for whom they possess the greatest value.

Felton has outlined a proposal for a national freight car rental exchange system which we believe will provide a solution to the problem of freight car supply and we should like to add it as an exhibit to this testimony. At the very least, we think the Interstate Commerce Commission should investigate the feasibility of the proposal.

Problems of timely, reliable, and economical small package transfer have been the subject of much complaint by residents of rural communities. Poor service has been, in large measure, due to economic infeasibility of either (1) less-than-car or truckload shipment or (2) warehousing of carload or truckload lots in recipient communities. United Parcel Service, now operating in Nebraska on an interstate basis, with service to and from 32 other States, appears to offer some hope in alleviating these problems. UPS will accept packages up to 50 pounds and shipments up to 100 pounds per day for a fixed weekly fee. Preliminary reports indicate the service has been quite efficient.

The size and weight limitations of United Parcel Service make it clear that by no means all of the small shipments problems will be resolved in this fashion. It is our recommendation that the Congress give careful consideration to the possibility of deregulating highway common and contract carriage. Experience with motor carriers operating under the agricultural exemption suggests that shippers of exempt commodities receive better service at lower cost. Deregulation would extend these benefits to processed agricultural commodities and farm inputs of all kinds.

In this connection, we view with great misgivings one section in the proposed Surface Transportation Act of 1971, S. 2362 and H.R. 10146, introduced recently by Senator Vance Hartke and Representative Brock Adams. This bill would eliminate the exemption from economic regulation now enjoyed by several agricultural commodities. Nothing, we believe, is more antithetical to the interests of rural economic development.

Intra-area passenger transportation problems are experienced primarily by the very old, the very young, and the very poor residents. These are the people who lack access to an automobile. No ready solutions to this problem are in sight. Short of subsidized operations it is unlikely that intra-area bus service will ever be feasible in most of the smaller rural communities.

Quality of intra-area passenger service depends largely on access to major highways and to airport facilities. Construction of the interstate highway system has greatly improved the situation faced by most automobile owners. Completion of a proposed north-south State interstate highway would be of benefit to many Nebraska residents.

Size economies of airline and airport operation rule out scheduled air service to all but the larger cities. Schedules to smaller towns now served by air generally are quite limited; the situation seems unlikely to improve. The best hope for the future appears to lie in development of a much more limited number of very large airport facilities, with improved surface transportation connections to outlying communities. Such a plan (a very ambitious one) has recently been promoted for the Lincoln-Omaha area.[29]

The precise effects of many prospective and predicted future transportation adjustments are uncertain. Additional research is needed to specify these effects and to evaluate policy alternatives. Research recently underway at the university will examine the effect of proposed abandonments of railroad branch lines on the communities presently served by these lines.[30] Much more work is needed, however. Transportation research has been badly neglected. Considering the importance of transportation and the difficult problems faced by the industry and by its customers, the neglect is serious. A State or regional center for transportation studies would provide a means whereby researchers from several disciplines might attack problems of the industry on a broad front. The Nebraska Transportation Institute, a broad-based group composed of persons representing shipper, carrier, and academic interests has advanced such a proposal. The institute itself might well provide the nucleus for establishing such a center. To insure objectivity, the research should be carried on under the auspices of a public institution. The primary obstacle to such an effort is inadequate financing.

(The bulletin referred to above is as follows:)

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[29] George T. C. Peng and Joseph H. Bain. Eastern Nebraska International Airport Plan (Lincoln: Mid-America Webpress, 1970), 80 pp.

[30] North Central regional project NC–112. "Impact of Changing Transportation Systems upon Local Grain and Farm Supply Marketing Firms." Agricultural experiment stations at Iowa, Kansas, and Nebraska are cooperating in this newly established research project.

[Bulletin MP 25, August 1970, University of Nebraska College of Agriculture and Home Economics]

THE PROBLEM OF FREIGHT CAR SUPPLY

By John Richard Felton*

SUMMARY

As early as 1907 the Interstate Commerce Commission held extensive hearings on freight car shortages. At frequent intervals ever since, Congress and the commission have addressed themselves to the problem of freight car supply with considerable vigor but meager results.

Allegations of an inadequate supply of freight cars have been widespread in recent years. The decline in the number of freight cars is easy to document: between 1959 and 1968, the number of cars used in grain transport (boxcars and covered hopper cars) declined by 26%.

If, however, consideration is given to changes in car capacity and car miles per day, then grain car supply, as measured by ton-miles of grain transported, actually increased by 14% during this 10-year period.

Furthermore, a study conducted by the Interstate Commerce Commission in 1969 revealed that, on an average day in 1968, there were three boxcars and covered hopper cars available in the Midwest Region for every one ordered by shippers. Nevertheless, on this same average day, shippers received only 75 to 80 of the freight cars ordered, owing to malfunctioning of the car allocation system.

When freight cars move beyond the lines of the owning railroad, the railroad having possession must pay the owning railroad a car-rental charge known as "per diem." The Association of American Railroads and the Interstate Commerce Commission have relied upon an inflexible and inadequate car-rental charge and a comprehensive body of "car-service rules" and "car-service orders" to secure return of freight cars to owning roads or to points of greatest "need," as defined by the AAR and the ICC. Thus car allocation, at least during periods of heavy demand, is reminiscent of the decision-making process in a centrally planned socialist system.

If a car-rental exchange market were to be established, car-rental rates would be determined by competitive bidding. Freight cars would then move toward points of greatest shipper demand and the ICC would find it unnecessary to issue arbitrary orders to influence car distribution.

Moreover, whenever such competitively-determined rates rose above the prospective daily ownership costs of new freight cars, it would provide an incentive for the acquisition of additional freight cars. Such a car-rental exchange market could be administered by the Car Service Division of the AAR, free from the political considerations which now play a major role in freight car distribution.

INTRODUCTION

With the certainty usually attributed only to death and taxes, the problem of "freight car shortages" can be expected to manifest itself in various places and at various times during the course of each year.

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Shippers in the Great Plains states, particularly, have had frequent occasion to decry their inability to secure boxcars in sufficient numbers to transport grain at harvest time. As former Representative Clair Callan testified before the Freight Car Shortage Subcommittee of the Senate Committee on Commerce:

"In my hometown of Odell, Neb., on last Dec. 3 [1964], there was still milo piled on Main Street. This situation was duplicated in several other towns. The Burlington Railroad estimated that more than 20 million bushels of grain sorghum was piled on the ground in their service area alone because of the boxcar shortage."[1]

During the course of the same hearings, Gordon E. Ganka then transportation director, Lincoln Grain, Inc., pointed out that in October, 1964, the railroads were able to supply only 68 cars in good condition to meet the 1,167 requested, i.e. 5.8%. The following month, November, 1964, of the 1,627 empty cars ordered, only 122 cars in good condition, or 7.4%, were supplied.[2]

The comments of shippers, railroad executives and regulatory officials since the 1965 hearings of the Senate Freight Car Shortage Subcommittee do not suggest that the situation has improved. In June, 1966, the Interstate Commerce Commission estimated the daily freight car shortage to be as high as 15,000 cars, compared with a maximum of 10,665 cars in all of 1965.

The Chicago, Rock Island and Pacific Railroad, alone reported a weekly shortage of 3,000 grain-loading freight cars.[3]

In November, 1968, representatives of the Rock Island declared: "This is our most critical shortage of any time in the past five years."[4]

Finally, 54 of 77 large shippers who responded to a poll conduced by *Railway Age* in April, 1969, maintained that the freight car supply problem was worse than during the preceding year. Moreover, the cars in shortest supply were those emeployed in grain transport: boxcars and covered hopper cars.[5]

"Shortage" is not a popular word in the economist's dictionary and he typically attributes this to a failure of the price mechanism to perform its equilibrating role. Is this the essence of the problem of freight car shortages? Let us consider the nature of the demand for and supply of freight cars and the operation of the associated price system.

THE SHORT-RUN SUPPLY OF FREIGHT CARS

The "demand" for freight cars can be interpreted both as the demand of shippers for existing cars and the demand of railroads, car-leasing companies and shippers for new or rebuilt cars. Thus, there are really two freight car markets, one for the existing fleet and one for additions to the fleet. Let us consider the supply characteristics of the market for the existing fleet.

The short-run supply of freight cars cannot be evaluated merely by counting. Cars are not homogeneous as to type or carrying capacity and intertemporal comparisons must take into consideration changes in the capacity of the average car of a particular type, in the composition of the fleet and in the percentage of serviceable cars. Thus, in the ten years from 1959 through 1968, while the total number of freight cars owned by Class I railroads declined from 1,676,386 to only 1,453,883 or by more than 13%, the aggregate carrying capacity of these cars actually increased from 92¼ million tons to 93½ million tons.[6]

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[1] Clair Callan, "Statement," *Freight Car Shortages*, hearings before the Freight Car Shortage Subcommittee of the Committee on Commerce, U.S. Senate, 89th Congress, 1st session, in S. 179 and S. 1098, Sec. 89–23 (Washington, D.C., 1965), pp. 271–4.

[2] Gordon E. Ganka, "Statement," *Freight Car Shortages*, p. 319. Presumably monthly car orders are not cumulative; the November, 1964, deficiency was 1,627 − 122 = 1,505, yet the total empty cars ordered for December, 1964, was only 1,497.

[3] *Wall Street Journal*, June 3, 1966, p. 1, Col. 6.

[4] *Wall Street Journal*, November 6, 1968, p. 30, Col. 1.

[5] "April Traffic Poll: Shortages Continue to Plague Shippers," *Railway Age* (April 28, 1969), p. 31.

Furthermore, if the reduction in the percentage of unserviceable freight cars from 7.7% of the fleet in 1959 to 4.8% in 1968 is taken into account, then effective capacity increased from 85 million tons to 89 million tons, or almost 5% during this period.[7]

Instantaneous capacity may, however, be a dubious method of calculating the short-run supply of freight cars. Shippers do not demand so much capacity in the abstract but rather the movement of so many tons of goods from one point to another. Therefore, the short-run supply of freight cars over any short time period is affected not only by aggregate freight car capacity but also by the extent of capacity utilized, the time required for loading and unloading goods, the time spent in classification yards and on sidings, train speed and distance.

Between 1959 and 1968 average train speed, including time spent at intermediate stations and on sidings, increased from 19.5 to 20.4 miles per hour.[8]

Since the portion of the day spent in road trains increased from 2 hours and 21 minutes, on the average, in 1959 to 2 hours and 39 minutes in 1968, average daily car mileage increased from 45.9 to 53.9, or about 17½%, during this ten-year period.[9]

Ton mileage has been further augmented by an increase in the percentage of capacity utilized by the average loaded car from 79.1 in 1959 to 80.4 in 1968.[10] Also, the length of the average haul has increased from 448 miles in 1959 to 492 miles in 1968.[11]

A final consideration is the change in the ratio of empty to loaded car miles. Here the change is unfavorable, the ratio of empty to loaded car miles increasing from 60.5% in 1959 to 68.7% to 1968.[12]

The net result of all these factors can be ascertained by comparing revenue ton-miles in 1959 with those in 1968. Revenue ton-miles increased from 576,529 million in 1959 to 744,479 million in 1968.[13]

Thus, while the number of freight cars of all kinds decreased by more than 13% between 1959 and 1968, the ton-miles per freight car day increased by 43%,[14] so that total freight car productivity increased by 29%.

Of particular interest in the Great Plains area is the supply of boxcars and covered hopper cars, since they are employed in the transportation of grain to consumption and export points. Between 1959 and

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[6] AAR, *Statistics of Railroads of Class I in the United States, Years 1958 to 1969* (Washington, D.C., 1969), p. 9. Class I railroads, those having annual operating revenues of $5,000,000 or more, account for 99% of all revenue ton miles of traffic in the United States. The inclusion of freight cars owned by Class II railroads, switching and terminal railroads, car-leasing companies and shippers would have some minor effect on the totals but virtually no effect on percentage changes.

[7] AAR, *Yearbook of Railroad Facts* (Washington, D.C., 1969), p. 58.

[8] *Ibid.*, p. 52.

[9] *Ibid.*, p. 55.

[10] *Ibid.*, pp. 50 and 66.

[11] *Ibid.*, p. 41.

[12] AAR, *Statistics of Railroads of Class I*, p. 11. The increase in the empty-loaded car mileage ratio is probably attributable to increased specialization in the freight car fleet which reduces, where it does not eliminate, the utilization of cars in back-hauls.

[13] AAR, *Yearbook of Railroad Facts*, p. 35.

[14] *Ibid.*, p. 56.

1968 the number of boxcars and covered hopper cars declined by 26% but the aggregate capacity of these cars declined less than 13%.

This difference is attributable, in part, to the increase in the average capacity of boxcars from 49.2 tons in 1959 to 52.9 tons in 1968 and covered hopper cars from 68.8 tons to 84.7 tons during the same period. The remainder of the difference between the change in number and the change in capacity of these cars arises from the change in the ratio of covered hopper cars to boxcars. In 1959, the ratio was 1/11; in 1968 the ratio was 3/10.

Moreover, if the reduction in the percentage of unserviceable boxcars and covered hopper cars approximated that for the fleet as a whole, then available capacity declined by less than 10%. Finally, if boxcars and covered hopper cars traveled at the same train speed, spent the same portion of the day in road trains, achieved the same increase in the percentage of car capacity utilized, enjoyed the same increase in length of average haul and suffered the same decrease in empty/loaded car ratio as the average of the entire fleet, the revenue ton-miles of freight transported by boxcars and covered hopper cars would have increased from 221,964 in 1959 to 253,767 in 1968 or by more than 14%.[15]

METHODS OF IMPROVING FREIGHT CAR UTILIZATION

While the foregoing considerations provide us with little evidence as to the adequacy of the freight car fleet, in general, or boxcars and covered hopper cars, in particular, they do suggest that the short-run supply of cars cannot be ascertained merely by a process of car enumeration. It might also be noted that *potential* car productivity cannot be determined by measuring current car productivity.

Principal opportunities for the enhancement of car productivity would appear to be:

An increase in the percentage of the day during which a car is part of a road train.

A decrease in the empty/loaded car ratio.

"FREE TIME" AND DEMURRAGE MODIFICATIONS

The average freight car moves only about 54 miles a day which, at an average train speed of about 20½ miles an hour, it can accomplish in about two hours and forty minutes. The remainder of the time it is being held by shippers, consignees or the railroad itself in terminals, classification yards, repair shops and so forth.

One device for reducing loading and unloading delays would be the elimination of all so-called "free time" for such operations. The present practice of 1 or 2 working days within which one may load or unload without payment of demurrage provides no incentive for loading or unloading prior to the end of this period.[16]

Either demurrage, which would begin as soon as the car comes into the possession of the shipper or consignee, or, alternatively, a refund of a portion of the transportation charge for return of the car before the termination of the existing "free period," would provide an incentive for speedier loading and unloading operations.

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[15] Given the foregoing assumptions, the revenue ton-miles of freight transported by boxcars and covered hopper cars in any year would be the ratio of the combined carrying capacities of boxcars and covered hopper cars to the carrying capacity of the entire freight-car fleet multiplied by the revenue ton-miles accomplished that year by the whole fleet.

[16] Cf. John G. Kneiling, "How Not to Solve the Freight Car Problem," *Trains* (April, 1968), p. 37.

SEASONALLY VARIABLE FREIGHT RATES

The portion of the year which the average freight car is in the possession of shippers and consignees is greatly exceeded by the time it is held idle by the railroads themselves.[17]

A primary reason for the existence of unused freight car capacity at various periods would appear to be seasonal fluctuations in demand coupled with the simultaneity of production and consumption of transportation service. In 1968 grain and grain product carloadings in the week of Nov. 2, the 1968 peak, exceeded those of the week of Dec. 28, the 1968 low, by 101.2%, those of the week of June 1 by 85.9% and those of the average week by 33%. Furthermore, the second and third weeks' most numerous grain and grain product carloadings occurred the week preceding and the week succeeding the peak week.[18]

An obvious method of improving freight car utilization would be through the institution of seasonably variable freight rates. Fiften years ago, George H. Borts pointed out: "If the present (railway) pricing system were replaced by one under which customers were charged more for service during peak periods, they would have an incentive to even out their demand over time." [19]

More recently George W. Wilson has argued the case for seasonal freight rates:

"The problem is essentially this: Marginal cost is higher at the peak when excess capacity is low than it is at other times when excess capacity is greater. Thus, to induce shippers to utilize transport equipment more fully during the year, there should be seasonal rates rising with the off-peak periods.

". . . raising the rates at the peak and lowering them at other times will induce those shippers whose . . . elasticity of transport demand is high . . . to reschedule their traffic insofar as possible. This will lead to a reduction in peak traffic.

"On the other hand, business in off-peak periods will increase due to two factors: the shift of some shippers from peak to off-peak and the general increase in demand for transport due to lower rates at the off-peak periods." [20]

While seasonally variable rates would be a novelty in railroad transportation, they are a familiar characteristic of the exempt sector of highway transportation. The Marketing Economics Division of the U.S. Department of Agriculture, in a survey of truck brokers of agricultural commodities several years ago, found rather substantial seasonal fluctuations in the rates for the transportation of produce and grain.

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[17] In 1967, inactive car days, including car repair, accounted for 38% of the time of the average freight car while only 18% of the time was devoted to loading and unloading operations. See Patrick P. Boles and John O. Gerald, "Demurrage and the Freight Car Situation," *Marketing and Transportation Situation,* MTS 174 (Washington: U.S. Department of Agriculture, August, 1969), p. 34.

[18] AAR, *Cars of Revenue Freight Loaded, 1968–1969,* CS 54–B (Washington, D.C., Jan. 13, 1969), p. 2.

[19] George H. Borts, "Increasing Returns in the Railway Industry," *Journal of Political Economy* (August, 1954), p. 328.

[20] George W. Wilson, *Essays on Some Unsettled Questions in the Economics of Transportation* (Bloomington, Indiana: Foundations for Economic and Business Studies, Indiana University, 1962), pp. 74–5.

For example, in 1959, the range in the rate for the transportation of wheat from Topeka, Kan., to Atlanta, Ga., was 28%; the range for oats from Omaha, Nebr., to Dallas, Texas, was 40%; the range for corn from Omaha to Los Angeles was 27%; the range of wheat from Wichita Falls, Texas, to Los Angeles was 40%.[21]

While freedom from rate regulation, particularly the requirement that rates be published well in advance of any changes therein, might facilitate the adoption of seasonably variable rates, it would not guarantee it. On the other hand, the existence of regulation does not preclude it. William G. Shepherd reports that about 8 or 9% of the electric utilities which he surveyed made extensive use of marginal-cost pricing principles, including peak and off-peak pricing policies.[22] Furthermore, the evening, night and holiday telephone rate reductions instituted by American Telephone and Telegraph Co. were not negated by the Federal Communications Commission.

The institution of seasonal railroad rates would presumably depress and spread the peak demand for freight cars. Shippers with more elastic demands for transport would either modify production schedules or adjust inventory practices so as to reduce shipments during the period of peak demand. For grain products this would most likely entail an increase in storage facilities near points of origin.[23]

SEASONALLY VARIABLE PER DIEM RATES

In addition to the improvements in freight car utilization realizable through peak-load pricing of transportation service, very significant gains could also be achieved through a similar reformation of the car-rental, or per diem, system.

The earning capacity of a car is a reflection of freight rates and the extent of car utilization. Therefore, the demand of railroads for freight cars will exhibit the same seasonal pattern as the demand of shippers for transport service.

Furthermore, the rationale for seasonably variable per diem rates is identical to the rationale for flexible freight rates. As Burton A. Weisbrod has observed:

"At whatever level the per diem rental charge may be fixed, this level will almost certainly be above or below, but not at, the free market equilibrium price at any particular time. In other words, an inflexible charge, regardless of its level, is both a ceiling and a floor price and will exhibit the familiar effects of both."[24]

Weisbrod hypothesized that, during periods of greater than normal shipper demand, a railroad in possession of foreign cars would find it profitable to divert such cars to its own use and pay the per diem charge rather than to return the cars to the home road. Conversely, in periods of less than normal demand, foreign cars would be returned to the home road to avoid per diem charges. Thus empty car mileage would rise at such time in the process of transferring cars from one location where they were in surplus to another place where they were equally likely to lie idle.

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[21] Marketing Economics Division, ERS, *The Role of Truck Brokers in the Movement of Exempt Agricultural Commodities*, Marketing Research Report No. 525 (Washington D.C.: U.S. Department of Agriculture, 1962) pp. 25–7.

[22] William G. Shepherd, "Marginal Cost Pricing in American Utilities," *Southern Economic Journal* (August, 1966), pp. 64–5.

[23] It might be noted, parenthetically, that the economies of unit train transportation of grain constitutes further encouragement to the location of grain storage facilities in grain-growing areas rather than near points of consumption. John Richard Felton, "Technological Change and Internal Economies in Railroad Transport," *American Journal of Agricultural Economics* (August, 1968), p. 730.

[24] Burton H. Weisbrod, "The Per Diem Freight Car Rate and Railroad Efficiency—The Short-Run Problem," *Journal of Business* (October, 1959), p. 383.

A comparison of empty/loaded freight car ratios in years of expanding and contracting economic activity tended to confirm the hypothesis of an inverse relation between level of economic activity and the empty/loaded car ratio.[25]

More than 60 years ago the Interstate Commerce Commission gave serious consideration to the adoption of seasonally variable per diem rates. The commission, in commenting on the increase in per diem charges from 20¢ to 50¢ instituted by more than 100 railroads, conceded that "this will be effective in securing return of cars to the owning railroads during the few months of the year when traffic is light . . . but that it will insure return during times of great need is not likely, for in such times the holder could earn perhaps ten times the amount he would be compelled to pay by using the foreign car." [26]

CAR SERVICE RULES AND ORDERS

As a matter of fact, the railroads have not relied primarily on per diem rates to govern car allocation. Car movement, rather, has been made subject to a comprehensive body of regulations of the Association of American Railroads known as "car service rules." The underlying principle of these rules, as Eugene W. Coughlin has observed, is that "a railroad buying cars to serve its shippers is entitled to a reasonably prompt return of the cars after they have moved beyond the owner's rails, but that this return should, to the greatest practicable extent, be under load, to keep empty car haulage to a minimum, and even though this process of loading might involve some delay and circuity in returning the cars to the owner." [27]

More specifically, the AAR's rules provides that "foreign cars shall be loaded to the fullest extent possible to, toward or via the owning road, and system (home) cars shall not be loaded off owners' rails when the use of foreign cars, properly applicable under these rules, is practicable." [28]

Whatever the merit of the principle embodied in the rules, and this will be examined later, the rules themselves suffer two basic shortcomings:

1. They are not enforcable.
2. They are regularly superseded during periods of heavy shipper demand by "car service orders."

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[25] *Ibid.*, pp. 384–5.

[26] *In the Matter of Car Shortages and Other Insufficient Transportation Facilities*, 12 ICC 561, 573 (1907). The commission suggested that 50¢ might well be regarded as a minimum per diem rate and that a rate as high as $2 a day could be established during the period of greatest demand in the latter half of the year. *Loc. cit.* The Association of American Railroads did experiment with seasonally variable per diem rates for foreign freight cars during the years 1910 to 1913. The difference between the March to July rate and the August to February rate was so small, 30¢ and 35¢, respectively, that its effect could not have been pronounced. Leonor F. Loree, *Railroad Freight Transportation* (New York: D. Appleton and Co., 1922), p. 389.

[27] Coughlin, *op. cit.*, p. 5.

[28] *Ibid.*, p. 9.

Car service orders typically require Eastern roads to effect certain reductions in the number of Western cars on their lines or to deliver a certain number of freight cars of a particular kind or kinds to specified railroads at particular junctions within a given period of time without regard to ownership.[29]

While AAR car service orders, like AAR car service rules, are not enforceable, the Interstate Commerce Commission has authority to issue binding orders, violation of which will subject the violator to substantial penalties.[30]

In summary, it seems appropriate to characterize railroad freight car allocation in the United States as based on the ownership principle, modified by notions of efficiency in car utilization, and overlaid by authoritative determinations as to shipper needs. Thus, car allocation, at least during periods of heavy demand, is reminiscent of the decision-making process in a centrally planned socialistic system.

As a consequence, it should occasion no surprise that car allocation has been the subject of unceasing controversy for decades, that much unnecessary empty car movement takes place and that the distribution of cars may bear slight resemblance to one governed by market principles. The elements of an acceptable system of car allocation will be discussed after the market for the sale of new and rebuilt freight cars has been explored.

THE LONGRUN SUPPLY OF FREIGHT CARS

In addition to the problem of effective utilization of the existing freight car fleet, there is the crucial issue of the adequancy of the fleet itself. Allegations of an inadequate total supply of freight cars have been widespread in recent years. The Comptroller General of the United States, in a letter to the Senate Committee on Commerce on March 8, 1965, referred to the national freight car shortage as a "matter of public knowledge."[31]

The following June the Committee on Commerce submitted a report which declared: "Car shortages, which once were confined to the Midwest during harvest seasons, have become increasingly more frequent, more severe and nationwide in scope as the national freight car supply has plummeted."[32]

As to the magnitude of the shortages, the report maintains: "Already this year, before the beginning of the harvest season, shippers are demanding 7,500 cars more daily than the railroads can provide. Over the past 20 weeks, boxcar shortages have averaged more than 4,000 cars short per day. Gondola shortages have averaged well over 1,300 daily and flatcar shortages have exceeded 300 per day in this same period."[33]

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[29] *Ibid.*, pp. 211–2.

[30] The authority of the Interstate Commerce Commission to fix per diem rates, promulgate car service rules, issue car allocation orders and impose penalties for violation was established by the Car Service Act of 1917, 40 *United States Statutes at Large*, Part I, pp. 101–2.

[31] Joseph Campbell, Comptroller General of the United States, letter to Warren G. Magnuson, chairman, Committee on Commerce, U.S. Senate, dated May 6, 1965, in *Freight Car Shortages*, Senate Report No. 386, 89th Congress, 1st Session, June 30, 1965, p. 10.

[32] *Ibid.*, p. 1–2.

[33] *Ibid.*, p. 3.

THE ICC STUDY OF FREIGHT CAR SUPPLY

Despite the foregoing allegations, the recent hearings on freight car supply conducted by the Senate Subcommittee on Surface Transportation tend to cast some doubt on the thesis that the railroad industry suffers from a secular deficiency in freight cars. The Interstate Commerce Commission required all Class I and Class II railroads to submit information on car orders and supply for each of 12 randomly selected days over a 12-month period, specifically, Jan. 29, 1968, to Jan. 23, 1969.

Although the commission did find the railroads' performance to be "inadequate throughout 1968 in most regions of the country," it conceded that "the regional problem is not so much the availability of sufficient cars to fill current shippers' orders as the use of the cars within a region." [34]

The commission continued: "Even in regions where the supplying of a type of car to fill shippers' requests involved the greatest delay, availability in general was at least twice the current orders . . . [I]t appears that, on an annual basis, the problem is not primarily one of inter-regional distribution of cars." [35]

Furthermore, where deficiencies in car supply were present, they usually were of relatively short duration. As the commission put it: "For most car types in most zones less than 3% of the orders were unfilled after 4 days delays." [36]

TABLE 1.—PLAIN BOXCARS AND COVERED HOPPER CARS AVAILABLE, ORDERED, DEFICIENCY AND SURPLUS IN MIDWEST REGION,[1] JAN. 29, 1968, TO JAN. 23, 1969

	General service boxcars (unequipped)		Covered hopper cars	
	Ave. daily number	Percent of total available	Ave. daily number	Percent of total available
In hands of railroads at beginning of day (a)	16,059	71.7	8,140	72.1
Received by railroads during day (b)	6,351	28.3	3,147	27.9
Total available to railroads (c)=(a)+(b)	22,410	100.0	11,287	100.0
Cars ordered by shippers (d)	6,305	28.1	3,624	32.1
Net surplus (e)=(c)−(d)	16,105	71.9	7,663	67.9
Total deficiency (f)	1,567	7.0	748	6.6
Total surplus (g)=(d)+(f)	17,672	78.9	8,411	74.5

[1] The Midwest region consists of Colorado, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wisconsin and Wyoming.

Source: Report of the Results of Freight Car Study in Ex Parte No. 252 (Sub No. 1), appendix A, Freight Car Supply, hearing before the Subcommittee on Surface Transportation of the Committee of Commerce, U.S. Senate, 91st Cong., first sess., May 13, 1969 (Washington, D.C., 1969), pp. 31–2.

The relationship of boxcars and covered hopper cars ordered to those available in the Midwest Region and the days of delay in filling these orders are set forth in Tables 1 and 2, respectively. Table 1 reveals that there were three boxcars and covered hopper cars to every one ordered by shippers on an average day in 1968. Nevertheless, owing to maldistribution within the region, there were still deficiencies in car availability equal to 20 to 25% of the cars ordered. On the other hand, the delays in filling orders do not generally seem to have been lengthy. Almost 80% of car orders were filled with less than one day's delay and more than 97% were filled within four days.

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[34] *Report of the Results of Freight Car Study in Ex Parte No. 252 (Sub. No. 1)*, Appendix A, *Freight Car Supply*, Hearing before the Subcommittee on Surface Transportation of the Committee in Commerce, United States Senate, 91st Congress, 1st session, May 13, 1969 (Washington, D.C., 1969), p. 9.

[35] *Loc. cit.*

[36] *Ibid.*, p. 12.

TABLE 2. PLAIN BOXCARS AND COVERED HOPPER CARS DISTRIBUTED BY NUMBER OF DAYS' DELAY IN MIDWEST REGION, JAN. 29, 1968, TO JAN. 23, 1969.

Days delayed	General service boxcars (unequipped)		Covered hopper cars	
	Number	Percent	Number	Percent
Total	1,114,296	100.0	739,464	100.0
Number of days' delay:				
Less than 1 day	886,728	79.6	590,472	79.9
1 to 2 days	143,424	12.9	124,680	16.9
3 to 4 days	52,392	4.7	12,648	1.7
5 to 6 days	11,568	1.1	5,424	.7
7 to 8 days	7,968	.7	2,232	.3
9 to 10 days	7,152	.6	2,304	.3
11 to 12 days	1,416	.1	480	(1)
More than 12 days	3,648	.3	1,224	.2
Average number of days delayed	1.06		.88	

(1) Less than 1/10 of 1 percent.

Source: Report of Results of Freight Car Study in Ex Parte No. 252 (Sub. No. 1), Appendix A, Freight Car Supply, pp. 50 and 68.

Another reason for doubt as to the existence of a serious over-all deficiency in freight cars is the relative ease with which railroad equipment can be financed. As Gilbert Burck has commented:

"Since locomotives and cars can be repossessed, financing them is almost risk-free . . . so during the past decade the carriers spent an average of more than $900 million a year on locomotives and cars. But other investment, such as new yards and line revisions, had to come largely out of cash flow and amounted to only $300 million a year."[37]

THE ECONOMIC TEST OF FREIGHT CAR ADEQUACY

While the foregoing considerations may raise doubts as to the existence of a long-run freight car shortage, they are certainly not controlling.

The crucial issue is: Do the railroads, as a group, have the incentive to invest in freight cars up to the point that the discounted expected future earnings of such equipment will equal the prevailing rate of interest?

The answer is: It all depends upon the relationship of the per diem rate to expected daily ownership costs to the home road. Even though per diem payments cancel out for the railroad system, as a whole, they play a crucial role in the investment decision process.

If the per diem rate is insufficient to defray expected daily ownership costs of newly acquired cars, then railroads will need to anticipate earnings for home line use in excess of the prevailing rate of interest before undertaking such investment.

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[37] Gilbert Burck, "The Railroads are Running Scared," *Fortune* (June, 1969), pp. 123–4.

By the same token, if the per diem rate is more than sufficient to defray expected daily ownership costs of new freight cars, then an anticipated rate of return for home line use of less than the prevailing interest rate will still induce new car purchases.[38]

It should be emphasized that any "shortage" in the over-all supply of freight cars is relative to a given level of effectiveness in the utilization of existing equipment. This follows from the definition of a shortage as an excess in the expected rate of return from the home line use of new equipment over the prevailing rate of interest. Thus, an improvement in car utilization could easily transform the shortage into a surplus by depressing the anticipated earnings of further additions to the fleet.

The underlying conditions for a shortage would not presumably have been removed by such improved utilization, however, and, in the absence of further change, freight car additions would be curtailed until anticipated earnings from the home line use of new equipment once more rose sufficiently above the appropriate discount rate to establish a new equilibrium.

From this it can be concluded that a solution to the problem of an adequate freight car supply necessitates a simultaneous attack upon car utilization and the size of the fleet itself.

If, for example, the per diem rate is less than the current expected daily ownership costs of a particular freight car, equating the per diem rate with such ownership costs so as to encourage increased car ownership is inappropriate so long as the utilization of the existing fleet is unsatisfactory. In short, neither the problem of car utilization nor of fleet size can be solved in isolation.

THE INADEQUACY OF THE PER DIEM RATE

The next question is: Has the per diem rate generally been of sufficient magnitude to cover prospective daily ownership costs of new equipment?

The answer, it would appear, is "no."

On the basis of a cross-section analysis of the relationship between car maintenance costs and car age and of various assumptions as to car life, car prices and the rate of interest, Grunfeld found that the per diem rate in effect from Jan. 1, 1957, to Dec. 1, 1959, viz., $2.75, would justify the purchase of a $10,000 car only if the rate of interest were 3% and the certain life of the car was 50 years. It would justify the purchase of a car lasting 20 years only if the interest rate were 3% and the car cost no more than $7,000. At 6% a $6,000 car could be justified only if it would last for 50 years.[39]

As of Jan. 1, 1964, a system of multi-level per diem rates was adopted by the Association of American Railroads. Rather than a single per diem rate, a series of per diem rates, which varied with the depreciated original cost per car, was established. The following year, the number of per diem groups was increased from 6 to 9, with the per diem rate varying from $2.16 for a car having an unamortized cost of $1,000 to $12.18 for one whose original cost less depriciation was currently more than $35,000.[40]

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[38] Cf. Yehuda Grunfeld, "The Effect of the Per Diem Rate on the Efficiency and Size of the American Railroad Freight Car Fleet," *Journal of Business* (January, 1959), p. 56.

[39] Grunfeld, *op. cit.*, pp. 62–3. The average cost of new boxcars at the time Grunfeld was writing (1959) was $9,851, while covered hopper cars cost an average of $11,532. ICC, *Transport Statistics in the United States*, Part I, Railroads, Release 2 (Washington, D.C., 1960), p. 28. An expected life of 30 years would probably have been a reasonable one in 1959. While some 22% of all freight cars were 30 years of age or over in 1959, the average age was 18½ years at a time when the freight-car fleet had been undergoing more or less continuous contraction for a number of years. American Railway Car Institute, *Railroad Car Facts, 1959* (New York: 1960), pp. 2–4, and ICC, *Transport Statistics in the United States*, Part I, Railroads, Final Release (Washington, D.C., 1966), p. 50.

Robert Tosterud has computed the rate of return to the owner of a freight car used exclusively on foreign lines, pursuant to the foregoing multi-level per diem schedule. He notes that, for a $19,000 freight car having a life of 30 years, the rate of return, even with zero maintenance and repair, is still only 3%.[41]

On Jan. 30, 1968, the Interstate Commerce Commission in Chicago, Burlington and Quincy Railroad, Co., *et.al.*, *v.* New York, Susquehanna and Western Railroad Co., *et.al.*,[42] promulgated a car-rental charge combining per diem and mileage charges. Some 21 cost bracket groups were established, the first bracket representing cars of less than $1,000 in value and the remaining brackets characterized by $2,000 class intervals. Mileage charges were to vary with the cost bracket and the time charge with both the cost bracket and the age of the freight car.[43]

In the future, the mileage and per diem rates were to be computed from cost data for the most recent four-year period [44] and yield a 6% rate of return on depreciated original cost.[45]

This most recent system of freight car-rental payments, while it considers more fully the variables involved in ownership costs, nontheless continues to construe those costs as past, not prospective. Certainly, a 6% rate of return on original cost will not compensate an owner of a new freight car who must borrow at 8½% or more.

It should be pointed out, in this connection, that Congress has conferred upon the Interstate Commerce Commission, pursuant to Public Law 89–430 of May 26, 1966, authority to impose so-called "incentive" per diem charges over and above the ownership costs of freight cars.

The commission could prescribe such increased compensation whenever, in its judgment, such incentive element would "provide just and reasonable compensation to freight car owners, contribute to sound car service practices (including efficient utilization and distribution of cars), and encourage the acquisition and maintenance of a car supply adequate to meet the needs of commerce and the national defense." [46]

In Ex Parte No. 252, *Incentive Per Diem Charges*, the Interstate Commerce Commission on Oct. 3, 1967, discontinued a proceeding for the imposition of interim incentive per diem charges on the ground that existing information on unfilled orders was inadequate to fulfill statutory standards.[47]

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[40] The complete per diem schedule is set forth in AAR, *Code of Car Service Rules, Code of Per Diem Rules*, Circular OT–10–B (Washington, D.C., 1968), p. 6.

[41] Robert J. Tosterud, *Economics of the Boxcar Supply* (Unpublished M.S. thesis ; Fargo, N.D. : North Dakota State University, 1969), p. 136.

[42] 332 ICC 176 (1968).

[43] *Ibid.*, pp. 242–3.

[44] *Ibid.*, p. 230.

[45] *Ibid.*, p. 213.

[46] 80 Stat. 168 (1966).

[47] 322 ICC 11, 17 (1967). Subsequent to the time the foregoing paragraphs were written, a schedule of incentive per diem charges for general service unequipped was adopted by the Interstate Commerce Commission in Ex Parte No. 252 (Sub. No. 1). Pursuant to this order, the incentive charges in effect from September through February of each year would yield the owners of boxcars on foreign lines an 18% return during these months, or an average annual return of 12%. The net credit balance accruing to any railroad from these incentive charges is to be employed only for the purpose of acquiring boxcars over and above such railroad's average additions in the preceding five years. ICC, Ex Parte No. 252 (Sub. No. 1), decided April 28, 1970 (April 30, 1970), Appendix B, pp. 3–4.

Furthermore, an even more comprehensive study of freight car supply was ordered by the commission for 1969-1970.[48] Whatever the study reveals with respect to car deficiencies and surpluses, it will be of doubtful relevance insofar as determining an appropriate per diem rate is concerned.

A PROPOSED SOLUTION

The customary method for accomplishing the transfer of privately produced goods and services in the United States is through the operation of a market for their sale or rental. Whatever may be the influence of the individual buyer or seller upon the sale price or the rental charge, all such transactions have the important merit of being voluntary.

Owing to the fact that connecting and terminating carriers of interline shipments are involuntary renters of freight cars, the utilization of the market mechanism to establish the rental charge for freight cars would appear, on the face of it, to be inappropriate. How can the rental charge be determined by the forces of the market when one of the parties, the railroad receiving a foreign car, cannot refuse to enter into the transaction?

While the involuntary nature of the existing car-rental system would appear to weigh against a market for the allocation of freight cars, the creation of a market in which prospective renters and owners would be free to participate or refrain from participating is, nonetheless, a distinct possibility.

Insofar as the initial movement of a freight car to an off-line destination is involved, the participating railroads are still free to negotiate a division of the joint rate, taking into consideration the rental value of the freight cars employed in transporting the goods from origin to destination. Furthermore, whatever the constraints on freedom of negotiation in the initial off-line movement, they are absent for any subsequent movements of the freight car on foreign lines.

Once a foreign car has completed its original off-line journey, its disposition could then be determined by a process of bidding for its use. Per diem rates would be established by the competition of railroads and shippers for cars, and the proceeds would be paid to the owning railroad or private car company after the deduction of a broker's fee. Cars would presumably be rented on a delivered basis, and a mileage payment would be made to any carrier participating in the movement of the car to the location designated by the renter.

Under such a system, cars would be classified by size and type and graded by quality, whenever relevant. Car rental charges would be a function of these variables, as well as of the season of the year and of the distance which the freight car must travel to reach the shipper.

The Car Service Division of the AAR or some newly established organization could undertake the creation and operation of a freight car rental exchange. The Automatic Car Identification System, which is soon to be in operation,[49] should be invaluable in the assembly of the information necessary to operate such a market.

There would appear to be a number of important advantages to be derived from the adoption of a market system of freight car rentals:

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[48] Order, Ex Parte No. 252 (Sub. No. 1), Incentive Per Diem Charges, 1968 (Jan. 24, 1969).

[49] Burck, *op. cit.*, p. 191.

1. The existing car fleet would be allocated on the basis of economic considerations of productivity rather than legal considerations of ownership and administrative determinations of relative shipper need. Empty car mileage should be greatly reduced through the elimination of rules designed to move cars, whether loaded or empty, in the direction of the home line. Nevertheless, owners could always assume possession of their own cars merely by making a mileage payment to one of their own junctions. Finally, per diem rates would fluctuate with seasonal variations in the intensity of demand.

2. Carriers which might not have participated in the joint rate for the movement of a particular carload of goods would no longer be charged for the privilege of transporting empty cars to or toward an owner's lines. As David E. Smucker, Vice President of Operations, Pennsylvania Railroad, remarked in the 1965 hearings on the freight car shortage: "In view of the short haul we receive in the loaded movement, we should not only be relieved of per diem but actually compensated by the owner for moving the car empty in long haul." [50]
The rental system suggested here would provide such compensation for all empty-haul transport.

3. Whenever, despite improvements in car utilization, the anticipated proceeds from freight car rental rose above prospective ownership costs, railroads would be induced to add to the existing fleet. Thus, a freight car-rental exchange system would contribute to the simultaneous solution of the long-run, as well as the short-run, problem of freight car supply.

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[50] David E. Smucker, "Statement," *Freight Car Shortages,* Hearings, pp. 100–1.

RURAL CREDIT NEEDS

Statement of David C. Fullarton, Executive Vice President, National Telephone Cooperative Association*

What does this very brief history of the rural telephone program prove? It proves that rural Americans are willing to make the effort to pull their communities up by their bootstraps, given the chance. It proves that there is a great vitality and spirit in rual America—given the opportunity to nourish it and keep it alive. It proves we can provide any kind of first class service in rural America—telephones, electric, medical or whatever—given the capital to get it going.

Statement of Dr. Kenneth A. Gilles, Vice President for Agriculture, North Dakota State University, Fargo, N. Dak.**

When one observes these tendencies among the 20 most rapidly growing communities in our State, some trends are evident. Of the towns which had less than 1,000 population, Gwinner has grown 157 percent in the last decade due to the successful operation of a farm machinery manufacturing plant. The communities of Arthur and Grandin have grown approximately 27 percent each as a result of new agricultural processing plants. Stanton has grown 26 percent largely due to the erection of three electric generation plants. Horace and Southwest Fargo each have grown approximately 55 percent largely as a result of being bedroom communities in the Fargo-Moorhead area. While these trends could be discussed in great detail, I think the concept remains clear. Where there is opportunity for financial input, coupled with social opportunities, growth appears to be significant.

The need for low-cost, long-range credit in rural America is paramount. Currently, one of the areas of great need is in community services. To supply adequate water for many of the small communities and rural areas is a goal not yet attained. Many small towns and farms do not have a dependable local water supply. Recently, a nonprofit water users corporation was created to supply a rural water system for Grand Forks and Traill counties in the east central area of North Dakota. This system will cover nearly 1,000 square miles in 22 townships. Similar types of systems have been developed in Kansas, Nebraska, and South Dakota. However, considerable financial resources need to be brought to bear to solve these types of problems in many areas of the Great Plains so that the quality of community services will increase to approximately the levels enjoyed by metropolitan communities.

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*Page 657—Hearing IV.

**Pages 366-367—Hearing IV.

DR. KENNETH A. GILLES, VICE PRESIDENT FOR AGRICULTURE NORTH DAKOTA STATE UNIVERSITY, FARGO, N. DAK.*

The need for long-range credit for manufacturing and processing industries in the rural areas is also of great significance. The decentralization of the feed and fertilizer industries, for example, provides an opportunity for people with ingenuity and managerial ability to maintain or expand these industries in the rural areas. However, the problem of lack of adequate long-term, low-cost finance frequently arises. I have been informed that the loan lending limit of half of the North Dakota banks is of the order of $50,000, and 80 percent have limits less than $100,000, sums inadequate to finance many of the types of industries and community improvements that are necessary. Conceivably, the Rural Development Credit Bank, in cooperation with existing credit agencies, would provide long-range, long-cost credit to assist in overcoming this financial limitation.

GOV. DAVID HALL OF OKLAHOMA**

I agree with Senator McClellan who said, and I quote from him:

> The availability of credit is one of the keys to rural revitalization. It can open the door of opportunity and the promise of the good life in America's heartland.

Through imaginative use of credit—technical advice and personal encouragement—our very fine Office of Economic Opportunity in Oklahoma this year will take 350 families off the welfare rolls and this year help them elevate their incomes above the poverty level.

Oklahoma's OEO is using the free enterprise system and $600,000 in poverty money to do this job. OEO is setting families up with hothouse tomato operations, catfish farms, charcoal kilns and rabbit-raising businesses to achieve this economic and humane goal.

Our experience with welfare is that most recipients contrary to some published reports wants off the rolls. They want the dignity of earning and producing. Editorial writers who deplore welfare could well learn some new words of condemnation from many of the families who are forced because of their situation to accept public assistance.

Oklahoma's OEO operation involves a self-liquidating loan from a local banker which is underwritten by the State agency. Although we are in the initial phases of this program, which is a one-on-one effort and comes one family at a time, we are extremely optimistic.

Forty-five of those tomato hothouses are now in operation, earning that family better than $5,000 a year in those operations. But with all the encouragement, comprehensive technical assistance, and marketing help, these families would be powerless without that initial loan.

Every underdeveloped State in the Nation is seeking new industry. Oklahoma is in constant hot pursuit of those interested in building new plants. That competition is stiff, gentlemen, as you well know.

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*Page 367—Hearing IV.

**Pages 10—Hearing V.

Within the boundaries of Oklahoma, we are battling to strengthen existing business and to encourage our local people to start their own enterprises.

Gov. David Hall of Oklahoma*

Senator Curtis. Now, much talk is made about credit. I realize the term "soft loans" is a relative term, but do you not favor a program of Government soft loans to industrialize rural America?

Governor Hall. Yes, I do, as long as it is clear that the intent is a loan situation and not a grant to be put in competition with existing business. Most business people I have ever dealt with would rather take the opportunity to go as far as their ability will take them if they just had that first investment capital. That is where we run into trouble in the smaller communities. The bankers just do not think that those are bankable loans, and the soft loan that you are mentioning might not be bankable. Ordinarily, it is the kind that will develop many businesses that would provide rural jobs.

Statement of Pettis Walley, Resource Director, Southern Mississippi Planning and Development District, Hattiesburg, Miss.**

As you know, rural areas have always been capital-deficit areas; their people in the main have always lacked the equity money for really adequate housing and for business opportunities; their financial institutions have always lacked the resources to help develop industry and jobs in the volume that is required. For example, only one bank in southeast Mississippi has assets of as much as $100 million—and not even the combined lending power of all the banks in the length and breadth of rural Mississippi can match that of the typical metropolitan bank in New York or Chicago. Moreover, the vast majority of our towns and villages lack the tax base to finance the kind of public improvement programs that industry and individuals want and demand. So industry stays away and our people go elsewhere. Since 1940, Mr. Chairman, 24 million rural Americans have gone elsewhere; they have abandoned the countryside and fled to the urban

Mr. Chairman, rural America wants to look after its own. We do not want to go on exporting our problems and our poor to other areas of the country. We do not want to become everlastingly dependent on the welfare dole. We want to stand on our own two feet. Mayor H. H. Lawler of the small town of Rosedale, Miss., spoke for rural America, I think, when he said:

> We have repeatedly tried to attract industry without success because our municipal facilities are inadequate. We cannot obtain sufficient monies to make improvements without economic and industrial progress, and we cannot make economic progress without improved municipal services. Thus we are hopelessly stalemated. We want our people, black and white, to stay in Rosedale. This is their home. They cannot cope with big city life and the big cities cannot cope with them. I am certain that federal funds spent here in Rosedale for industrial

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*Page 15—Hearing V.

**Pages 377–379—Hearing IV.

and municipal development, for raising our standards of living will accomplish much more than the tremendous funds that will be required to provide for these rural people if they are forced to move to the city.

ROBERT W. SHIVELY, INDUSTRIAL DEVELOPMENT MANAGER, NEBRASKA PUBLIC POWER DISTRICT, COLUMBIA, NEBRASKA*

Another problem facing rural America in its efforts to attract industry is the shortage of mortgage money. Not only is there a shortage of capital, but the risk to the investor is greater because of the small market for a facility in the event it is vacated by the original occupant. To develop new sources of capital, many States have turned to development bonds issued by political subdivisions to finance manufacturing plants. While these programs have not been confined to rural communities, they have found greater use there because of the lack of mortgage money typical in the small community. At the present time section 103 of the Internal Revenue Code limits industrial development bonds to those projects requiring a capital investment of $5 million or less. This is insufficient, and I propose that section 103 be amended to increase the exemption from $5 to $12 million in nonmetropolitan areas.

Small towns in rural America have a special need in financing public improvements such as water and sewer systems. Improvement bonds in small communities are often difficult to sell, and, consequently, require a higher rate of return to the investor and a high rate of interest to the community. In addition to funding grant programs at a higher level, the Federal Government should create a loan-guarantee program for improvement bonds issued by political subdivisions in nonmetropolitan areas. This guarantee by the Federal Government would eliminate the risk to the investor, reducing the interest rates now being paid in rural areas for improvement bonds and increasing the market for those bonds.

STATEMENT OF JACK HOPPER, MANAGER, TECHNICAL-ECONOMIC GROUP, SPINDLETOP RESEARCH CENTER, LEXINGTON, KY.**

Now, if you look at the flow of urban funds again, private funds, primarily, and if you look at their use in the rural areas, you will find that there are some particular problems with some of the institutional forms of using funds. For instance, no stockbroker will ordinarily handle a stock issue less than $500,000. No municipal bond house will float an issue less than $500,000. No insurance company trust fund, or any other large institutional lender, will ordinarily loan money in lumps less than $500,000. These three areas are pretty important lending and equity areas. I don't want to underemphasize the problem of equity funds. But what this means is that the small- and medium-sized businesses, people who need less than $500,000, are restricted in their sources of funding. You can see the problem of why urban funds don't flow back into rural areas, because you don't have too many——

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*Pages 258–259—Hearing V.

**Pages 302–311—Hearing IV.

Senator **Allen**. You are talking about rural funds. An individual having funds there, he has no choice but to put it in his local bank or to carry it into the city to put it in the bank. So it would be hard for him, would it not, to do anything more than maybe make a loan on his farm or something of that sort? There is no concentration of that money. It would be a small bank that couldn't service any of the needs of the rural areas, except maybe a crop loan or two. So there is a hardship there. And it is difficult for rural money to be utilized for rural development, is it not?

Mr. **Hopper**. Yes, sir. I would say that we are talking about a gathering problem. It is hard for those funds to be gathered locally in any kind of volume. And I have touched on the problem of banks here because there is a serious outflow of funds from the local banks to the urban areas.

But I want to wind up this little section with the idea that rural areas are extremely dependent on small and medium businesses, and will be in the future, for job creation.

Let's look at the characteristics of these rural banks. First, these banks are usually small. That means that they have limited banking services, limited banking facilities, and limited expertise, and they are usually a one-man operation. They probably can't provide the local businessman with expert advice on where to go to get more money. The problem, of course, is that they have small markets. Usually these small banks have low amounts of money in loans, and high amounts of money in Government bonds. In other words, they are exporting a good bit of the community's money just by this process of conservative operation.

A second characteristic is that they are very seldom aggressive competitors. Many of these banks are the only bank in the county, and many of them are the only bank in their community: they operate in monopolist markets. They have been operating this way for years and years.

Another characteristic is that these banks have conservative lending practices. There is nothing new in all of what I am saying here. They have very conservative lending practices. They have a tendency to use short-term lending, to operate with zero risk, to be very proud of the fact that their loan loss is zero. They lend to familiar people, to kinfolk, seldom to strangers, and they are not interested in loaning to many businesses. They may be unfamiliar with many businesses, especially one with new technology or one that is out of the ordinary.

Let me point out that this picture is not true of all rural banks, of course. There are numerous small banks and rural banks that do a great job for their communities. They do a tremendous lending job; they do everything that most of their customers want. So we are not really dealing with a total system here. But at the same time, my feeling is that the rural banking system looks like this; this is typical.

It is certainly true that a great number of banks are small. There are nearly 5,000 banks in this country out of 14,000, that have less than $5 million in deposits. The minimum economic size for a bank today is $10 million. So we are dealing with banks, a great number of them, most all of which are in the rural areas, that simply aren't economic in their operation. They can't, they never have been, they are not ever likely to be economic in size.

I would like to comment on section 710, which provides technical and financial expertise in the rural areas. I believe this is badly needed right now. I would like to give you a new twist to this thing.

Small businesses are risky—they are risky because they are short on technical and management expertise, and by definition, a lot of lenders won't touch them. Now, if lenders knew that these small businesses were receiving better support, technical management support, if they knew they weren't so risky, they might be more inclined to put money into them. At the same time, if you can train the lenders to assess these risks a little better, you will allow them to assess what they think their risk is so that they will be more inclined to put money into these ventures.

Employment in rural areas has always depended almost completely on agriculture, either directly on the farm, or indirectly in servicing the farm community. The decline of agriculture as an employment base means that commerce and industry must provide nearly all the additional employment if rural areas expect to stop the loss of their population.

Small businesses located in rural areas encounter difficulty in obtaining the funds they need to create new jobs because of two factors:

(1) Small businesses everywhere have higher risks, and lenders avoid as much risk as possible.

(2) Rural businesses depend primarily on an inadequate rural financial system for funds.

The attempt to increase capital funds to develop rural America must aim toward reducing the riskiness of small rural businesses, but the primary emphasis should be placed on expanding the ability of the rural financial system to provide capital funds.

The rural financial system does not provide enough capital funds to develop the rural economy because the system is almost completely made up of small unit banks, which in too many areas fail to connect their local communities to the capital fund system at the state and national levels; rural banks actually export rural funds to urban areas. In many areas rural bankers do not have the knowledge and experience to assess the risk of many businesses, they grant only those loans that appear riskless. Small business risks could be reduced and assessed if more technical and financial expertise were available to both lender and borrower in rural areas.

Since small rural businesses are so dependent on local banks for credit, the growth and development of the rural areas depend on a highly developed and efficient rural banking system. Unfortunately, rural banks in Kentucky as a whole have been shown to perform relatively poorly. In 1968, Kentucky's rural banks loaned 59 percent of their deposits, compared to 67 percent for urban banks.

Only 59 of Kentucky's 120 counties have savings and loan associations. Savings and loan associations could provide some long-term mortgage money to businesses, but they apparently do not. One reason may be that in the 55 towns with S & Ls, banks have inter-locking officers and directors in 32. Forty-seven of the state's 135 S & Ls are interlocked with 47 banks.

These figures fail to show, of course, that many rural banks give outstanding financial support to their local community. Those banks are usually short of loanable funds, other banks in the same or adjoining counties maintain low loan levels, and put the remainder of the funds in treasury bills. In 1968, 34 of Kentucky's 345 banks had more funds in treasury bills than in loans.

There are two reasons for the poor support that rural banks give rural development in Kentucky:

the structure of banking

the lack of awareness, understanding, and coordination for financing development.

FINANCING DEVELOPMENT IN THE REST OF THE UNITED STATES

Studies of banking in Kansas, Minnesota, Indiana, Illinois, and Appalachia, and other states confirm that limited branching leads to limited competition and to a poorly functioning rural financial system. The characteristic performance of most rural banks in these states is the same: low volume, high volume of treasury bill holdings, reluctance to lend to unfamiliar types of businesses, lack of cooperation in community development, and lack of awareness of responsibility for economic development.

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TESTIMONY OF CARL B. HAMM, PRESIDENT, FIRST NATIONAL BANK PERRY, OKLA.*

I would like to use an actual case history to illustrate how judicious use of bank credit can help rural America and in the same study how the attitudes of supervisory authorities at times might influence the banker's thinking.

In 1958 I was contacted by a local concern that was not a customer of our bank. This concern was in need of more space, more equipment and more credit. They had made application to the bank with which they were doing business for additional credit and had been declined. Briefly, their financial statement showed a net worth of $130,000 and notes payable, $55,000. The amount of money requested was $45,000. Needless to say, based upon the financial information available, this was not prime credit.

This firm had three things, though, that had not been possible to translate into dollars and cents to put on the financial statement. Good, capable, energetic management, a good product idea, and good marketing potential.

Instead of loaning this firm $45,000 as requested, after looking at their sales projections and other pertinent data, we recommended that they borrow $180,000 to be used as follows:

$45,000 for new plant, $55,000 for debt consolidation, and $80,000 on new equipment.

The loan was made with the 75 percent SBA guarantee. After this loan was made it was criticized by bank examiners in the next three examinations.

This was a 5-year loan. It was repaid by the company out of earnings at the end of 3 years.

At the time the loan was made this firm employed 60 people. Today this home-grown industry employs over 300 people with sales in excess of $18 million annually and the amount of Federal income tax paid each year is sizable.

To sum up, I would like to say that country bankers should be encouraged by supervisory agencies to be more aggressive in helping their community to develop instead of discouraging them as they now are.

Senator BELLMON. Before you turn it over, would you mind stating for the record, your idea about letting a bank make a loan up to its limit?

Mr. HAMM. I made the suggestion to Senators Humphrey and Bellmon this morning that if each country bank were permitted to set aside an amount equal to their legal loan limit, which is 10 percent of capital, surplus, and undivided profits, for national banks, to be used as risk capital to further the development of rural America and these loans so designated as rural development loans, and not be criticized or appraised by the usual credit standards of the examiners, this might be one solution.

VOICE. Do you have any idea how many dollars this would make available nationwide?

Mr. HAMM. The question was how many dollars would this make available nationwide. It would run into hundreds of millions.

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*Pages 89, 90, and 91—Hearing V.

Senator BELLMON. How much would it be in Noble County?

Mr. HAMM. Noble County has four banks. Roughly it would be about half a million dollars for Noble County.

Senator CURTIS. With a population of 10,000——

Senator HUMPHREY. Mighty good.

Mr. HAMM. Congressman Camp being a banker, I would like to ask him his reaction to that.

Mr. CAMP. Well, I am sure you are aware that in the Oklahoma Bankers Association, over a period of the last 4 or 5 years, they have tried to bring about a plan of this kind in the State of Oklahoma. It is my understanding, Carl, that it has been introduced in the State legislature. When I was still here this was one of the plans that was brought up and I tried to support it through the Oklahoma legislature at that time and I did not get any help actually from the bankers themselves or any support from them.

I think that this is one way that you could take care of that risk for venture money or the risk loan which you could classify in a bank. I do not think there is any question in my mind that this would be one of the finest things that could happen for rural areas of Oklahoma and everywhere else.

If I understand it right, what he is talking about is 10 percent of his surplus and undivided profit and also his capital, and invest it in a corporation, right?

STATEMENT OF DR. DAVID J. HIBLER, UNADILLA, NEBR.*

Dr. HIBLER. Honorable Senators: For the past 9 months I have been making informal contacts with lending institutions in the Lincoln, Nebr., area for refinancing needs on my home in rural Unadilla, Nebr. What I at first thought would be an easy task soon developed into a formidable chore, for I discovered very quickly that there are virtually no lending institutions which seem equipped to handle the needs of home mortgages in the rural nonfarm market. On Wednesday, August 25, I noticed in the newspaper that your subcommittee was planning a tour of this area to investigate ways of slowing or reversing the rural out-migration of recent years. I at that time decided to formalize my rather loose previous contacts, and would like to present to you today the results of letters of inquiry directed to 20 lending institutions in this area regarding rural financing.

I contacted the large banks in the area, the small banks in my immediate vicinity, all of the savings and loan associations in the area and the Nebraska City office of the Farmers' Home Administration. To put it bluntly: No one is very interested in financing in the country. I have gone to the Farmer's Home Administration and been told I was making too much money to qualify for their programs—they suggested I see my local banks. I have gone to the small local banks and been told that they do not have sufficient funds for such lending, and that I should see the larger banks. I have gone to the larger banks and been told that they do not loan out of the city, but that I should see the savings and loan associations. I have gone to the savings and loan associations and been told that it is against their policies to go outside of the city (or county), but that I should see the small banks in my area, or, perhaps, the Farmers' Home Administration. And so the merry-go-round goes around and around and around.

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*Pages 131–132—Hearing V.

I enclose (exhibit 1) a sample copy of the letter I mailed to the institutions on or around September 1. The box score on the 20 letters I sent out last week is as follows: (a) 14 direct refusals (exhibit 2); (b) three no response to date; (c) three tentative requests for more information. Let me further qualify these.

(a) Of the 14 direct refusals, three institutions stated that they simply did not have any money for such loans; the other 11 refused using expressions as follows:

> * * * it has been our company policy not to become involved in financing any properties in Unadilla or in the outlying areas.
>
> * * * we are not making loans of this type outside the city limits of Lincoln.
>
> * * * we do not make loans on real estate mortgages located out of Lancaster County.
>
> * * * our trade area does not extend as far west as Unadilla.
>
> * * * we have not been lending in Otoe County.
>
> * * * legally an insured savings and loan association such as ours can lend within a radius of 100 miles. Our lending policy, set out by our board of directors has generally limited us to Omaha and Lincoln and in Scottsbluff, Nebr., where we have an office.
>
> * * * we would not be interested in granting the loan as per your inquiry due to the location of your property. Our association at the present time is granting loans only on properties that are located within the city limits.
>
> Your loan is first out of our territory.
>
> * * * our bank does not make any real estate mortgage loans outside the city limits of Lincoln.

(b) The three no-response banks are all from rather small towns, one close by, one rather distant, and one in Nebraska City.

(c) Of the three requests for further information, it should be noted that two of these requests are from institutions which refused a similar request of mine approximately 5 months ago on the grounds that they did not lend on such rural nonfarm properties. The third, while asking for more information in the form of a financial statement, also indicated through a telephone conversation that in the past it had not been their policy to make loans of this type in outlying areas, for they had more than enough business within the city limits of Lincoln.

The last comment is, I believe, a telling one. At the present time, Senators, virtually every lending institution in this area, big or small, seems unwilling or unable to issue rural nonfarm mortgages. I know of many people who would love to move out into the country. As I read the present market, unless they are independently wealthy and able to pay cash for a home, or unless they buy a farm and start farming; or unless they use political muscle and pull to swing a favor—there seems little chance of their even securing a cursory hearing from the lending institutions.

Wallace Peterson, Department of Economics, Chairman University of Nebraska*

5. *A system of rural development banks.*—Congress should proceed with creating a Rural Development Bank system. One of the critical needs in rural America today is for social innovation in the realm of finance. A new type of financial institution is needed to provide long-term, low interest loans for the economic development of non-urban areas. A Rural Development Bank system ought to be organized on a regional basis, using the Federal Reserve System as a model. Ownership of the bank in each region should be vested primarily in the communities which it serves. This would provide for the maximum of regional and local control. It would take Federal assistance to get such a system started, but beyond that the bank could issue its own obligations to private investors. A Federal subsidy would no doubt be necessary to keep interest rates at low or moderate levels on the loans made by the system for rural development purposes, but this would be desirable because it would reduce the need for the Federal government to subsidize state and local borrowing by making their obligations tax exempt, a practice that benefits only taxpayers who are extremely wealthy.

Testimony of Stanley W. Dreyer, President, Cooperative League of USA**

Senator Allen. Do you feel that the mechanisms of the bank is a sound approach?

Mr. Dreyer. I do. I feel this way particularly strongly because for 7 years I worked with the bank for cooperatives in St. Paul. And visiting with local cooperatives and such, I realized the tremendous leverage which a lending institution has and a lending system has to raise questions, to put in loan provisions which will make for a sound business operation, and which will enable the people themselves to determine more readily the feasibility of certain ventures. And I think when that common experience is not shared through a lending institution the odds for success go down. This way projects with no prospect of success can be nipped in the bud. And I think until you get that kind of philosophy into an institution whose purpose is to aid in rural development, I don't think it is going any place.

Senator Allen. Do you feel that there is a field of operation for this proposed bank that is not now covered either by private capital or by the farm credit system?

Mr. Dreyer. Yes; I do. The lending restrictions for the bank for cooperatives and the farm credit system preclude a number of potential users or borrowers. The Farmers Home legislation, I think, is primarily related to agriculture. For example, in the State of Michigan a couple of years ago there was a study that said that over 40 percent of the people in rural areas were getting more than half of their income off of farms. And so if these people decided that they want to do something together, whether it is transportation to and from work or what have you, there is no really understanding sympathetic lender, you might say, to look after their needs. And as we became more and more urbanized and more nonfarmers live in rural areas, I think that the need for this kind of institution is going to continue, even more so than is already the case.

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*Page 321—Hearing V.

**Pages 238–240—Hearing IV.

One of the problems in the current farm credit legislation is that cooperatives which serve nonfarmers to any major extent are really not eligible to borrow from the Farm Credit and the Bank for Cooperatives. And I think that this has really discouraged, Mr. Chairman, some cooperatives from going into services to serve rural people, because if they are going to become ineligible to borrow from the bank, that is a very serious thing in their minds. And so they are not progressive or aggressive, you might say, in this area. And so they are reluctant to move into these areas. And I think if there were an alternative source of credit, if they lost the eligibility to borrow from one, they could become eligible to borrow from another. I think this could be a tremendous spur to their innovative nature to serve the people living in their own communities. And some of them find that a number of their people are moving out of agriculture. And perhaps they are becoming less economic and less efficient, because they don't serve these people with the kinds of services that they need.

RICHARD T. O'CONNELL, SECRETARY, NATIONAL COUNCIL OF FARMER COOPERATIVES*

One major source of nonagricultural funds in rural areas comes from the correspondent banking system. It is effective to some degree in providing rural investment funds. However, from a practical standpoint, the opportunities for greater return on capital are in the urban and suburban areas. This forces metropolitan correspondent banks to give a secondary priority to the amount of funds flowing into rural America.

Without some system of breaking the cyclical patterns of migration and low investment flow, conditions in rural America will either retain their status quo or deteriorate. Therefore, we believe a rural development bank system will be effective in injecting new funds into rural America.

There may be some reluctance to establishing a new Federal agency, but we do not see any alternative. The Farm Credit System is an agency into which the rural development bank could be structured, but we believe it is unwise to mix a Federal lending program into an already existing program which, in fact, has reached the goal of retirement of Government capital and achieved a more independent status.

We urge caution in the utilization of grants as part of the collateral in obtaining loans from a rural development bank. This may reduce the feeling of responsibility the borrower may have if a portion of the borrower's capital is not involved in the proposed collateral.

We believe strongly the program must initially show its management effectiveness. Otherwise, the image it projects may allow the opponents of the agency to have the opportunity to criticize the management of the agency and thus possibly reduce the effectiveness of the program.

We applaud the idea proposed in the measure which eliminates overlapping of lending functions by the proposed agency with other existing governmental lending institutions. We also believe it's beneficial that private lending institutions will have an opportunity to participate in this program so as to gain support and experience from the private banking system. We believe the establishment of a rural development bank will be a step forward in meeting some of the problems of this country and we urge its adoption by the Congress.

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*Pages 271–273—Hearing IV.

Senator ALLEN. What do you think the definition of the rural area provided by the bill of everything up to 35,000 in population being classified as rural? Do you think that that would cover the rural areas, or do you feel that that figure should be amended?

Mr. O'CONNELL. I believe that figure should be amended, Senator, increased to 50,000 persons. And the reason I offer that suggestion is that the Bureau of the Census, under their regular reporting, are available to set aside by definition data on cities of 50,000 or less which are not a part of the metropolitan area. And as a member of the Census Agriculture Committee, Advisory Committee, I know how the statisticians would get the empirical base set up. And they like to keep it. And I can see why, when it performs a very useful purpose.

So I would suggest that you consider changing that to 50,000 because then it takes in a more easily defined area, and you don't have to start up a new program to find the information you need.

Senator ALLEN. You would feel that everything up to a population of 50,000 should be covered by the bill?

Mr. O'CONNELL. Yes; I think the jobs, we will say, in the city of 50,000, in the metropolitan areas in most of the country would largely be due to the agricultural rural business.

STATEMENT OF GEORGE W. MITCHELL, MEMBER, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM*

At the outset, I would like to note that the Federal Reserve recognizes a need to accelerate the pace of rural development. It is well known that average personal income of rural residents continues significantly below that of urban dwellers, and that educational, medical, and social service facilities are more limited in rural communities.

Growth in rural job opportunities has for many years fallen far short of providing employment to all the young adults raised in rural areas, and consequently we have been experiencing both massive migration to cities and underemployment of those who chose to remain in the country. The inability of rural communities to provide more of the jobs and the amenities of modern life desired by their young people continues to aggravate the problems being experienced by our larger cities. Thus, we are all well advised to devote some of our energies to improvement of the pace and quality of rural development.

Acceleration of economic development in rural areas encounters problems other than those of adequate and reasonably-priced credit—problems such as lack of nonfarm resources and distance from consumer markets. Case studies of rural communities have concluded that local initiative and leadership play a vital role in successful development in the face of these inherent disadvantages. This element should be recognized in the design of credit programs intended to foster rural development. The credit program can be a catalyst that spurs local action.

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*Pages 578–581—Hearing IV.

One role of a credit program can be to help equalize the access of various economic sectors or areas to the Nation's flow of capital funds. A portion of our national savings, in the form of retained earnings of farm, industrial, and commercial enterprises, is directly employed by the saver, plows this back into the business. Another portion is moved from savers to investment uses in the same community by local banks and other depository institutions. But a substantial portion is gathered by large insurance companies, pension funds, large banks, and like institutions, and is made available to users through national capital and money markets. In these markets, these funds are used to purchase credit instruments offered in sizable blocks by well-known firms and public and private institutions. Smaller users of credit, and those not known nationally, thus are not ordinarily able to compete directly for these funds. They may, however, obtain indirect access either through private arrangements with larger institutions, or through a Federal credit program. A prominent example of the latter route is the federally-sponsored cooperative farm credit system, which lends to farmers those funds that it raises through sale of credit instruments in the national capital markets. The bill you are considering would provide similar federally-sponsored indirect access to capital markets to other rural residents, firms, and governments, probably thereby improving upon such indirect access as these groups may already have achieved through existing private or public arrangements.

The addition of another economic sector—in this case, rural nonfarm business and governments—to those for whom Federal credit programs have already been provided would not, in my opinion, significantly handicap the capability of the Federal Reserve to administer monetary policy. It would, however, affect the distribution of the impact of restrictive policy among sectors, and would tend to increase the cost of funds raised through all Federal credit programs. The significance of these effects would be directly related to the size of the added program.

Distribution of the impact of restrictive monetary policy would be affected because federally sponsored programs have demonstrated their ability to raise substantial amounts of funds even during periods of tight money. But with restrictive policy holding down the overall volume of funds available, the funds raised by an additional Federal program, beyond those that the sector served would have otherwise obtained, must necessarily be balanced by a reduction in funds raised by other sectors. Among the sectors that appear especially vulnerable to this effort are those that do not have access to capital markets.

Although, as just noted, the ability to raise a substantial volume of funds is achieved by access to the market in periods of monetary restraint, the cost of these funds is likely to be rapidly and significantly affected both by policy actions and by economic developments in general.

Rural borrowers from federally sponsored agencies are thus likely to encounter more rapid sizable variations in interest cost than other rural borrowers who are obtaining their loans from typical rural banks. Because rural banks obtain most of their loanable funds through local deposits rather than in money markets, the rates of interest they charge their borrowers have not generally responded rapidly to changes in rates in national markets.

The rural borrowers given market access through a credit program are likely to find funds available during periods of restraint, but probably at a relatively high price. Some may postpone their projects until interest rates fall. In other words, if rural development is stimulated by improving rural access to national capital markets, the degree of stimulus would be related to the prevailing degree of monetary ease or restraint and its effect on interest rate levels.

The impact of likely fluctuations in interest rates may be reduced or eliminated from some borrowers by providing a subsidy such as that proposed in S. 2223. More generally, subsidies may be provided in a Federal credit program as a further stimulus to the activity being promoted. In this event, it is desirable that the element of subsidy be provided in a form that is readily evident and quantifiable, as is done in S. 2223, and that the continued need for and amount of such subsidy be subject to periodic congressional review. On this topic, as well as on the design of Federal credit programs in general, the recommendations made in 1963 by the Committee on Federal Credit Programs (Dillon, Bell, Heller, and Martin) continue to provide sound guidance.

I have mentioned the Federal Reserve interest in rural development. Our studies of regional and agricultural lending indicate that for many years after World War II most rural banks had funds in excess of local loan demands. Some years ago, however, this situation began to change. Banks in many rural areas, such as areas in which the livestock industry has been rapidly expanding, have exhausted accumulations of liquidity and still continue to face loan demands that are increasing faster than their local deposits. To participate better in meeting the credit demands of their communities, rural banks in this position need improved access to nonlocal sources of funds, through development of markets for their assets and liabilities, through banking structure change that would bring the services of larger banks to rural areas, or through improved credit services via correspondent banking, the Federal Intermediate Credit Banks, or the Federal Reserve discount mechanism. Federal Reserve staff work undertaken in the course of our reappraisal of the discount mechanism, and since published, noted in detail and at length the disadvantages faced by small rural banks in attempting to develop nonlocal sources of funds. Consequently, the Board has under consideration a proposal that would expand and routinize the availability of funds at our discount window for the seasonal needs faced by these banks.

STATEMENT OF JOHN F. FOGARTY, VICE PRESIDENT, STERN BROTHERS & CO., KANSAS CITY, MO., AND CHAIRMAN, MUNICIPAL SECURITIES COMMITTEE, INVESTMENT BANKERS ASSOCIATION OF AMERICA*

We are authorized to testify on behalf of the more than 600 investment firms—both securities dealers and banks—who underwrite and make secondary markets for bonds of the 50 States and their political subdivisions. Our membership has extensive experience and expertise in financing the capital needs of State and local government. We also underwrite and make markets in the securities of private corporations and the Federal Government, including its many agencies.

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*Pages 423–424—Hearing IV.

We do not believe that the massive new credit system embodied in S. 2223 to assist community facility financing is necessary or desirable. Rural and small communities do have access to the financial markets of this country. Three of us at this table have spent our business careers serving the credit needs of small municipalities. There is a ready market for the bonds of most cities and school districts.

We have found that a good percentage of investors prefer investment in rural areas to that of metropolitan areas where a vast variety of problems exist. The regional dealers throughout the country have developed a dependable market for such securities. In addition, they have originated corporate financing for hundreds of small and intermediate-sized corporations, many of them based in rural areas.

We believe it would be helpful, both from a municipal or corporate standpoint, to make provision for the possibility of "joint-financing." For example, a bank or investment dealer might wish to participate in a loan for some percentage which would bring private-sector funds into play, and the regional bank might insure or purchase the balance of the loan. Through the ingenuity, and with incentives, the existing market structure can be utilized for such purposes.

STATEMENT OF EDWARD M. NORMAN, PRESIDENT, FIRST NATIONAL BANK, CLARKSVILLE, TENN., AND CHAIRMAN, AGRICULTURAL AND RURAL AFFAIRS COMMITTEE, AMERICAN BANKERS ASSOCIATION*

We hope to make it clear that our association agrees with much of the thinking, reasoning, and philosophy expressed in the report of the President's Task Force on Rural Development, but disagrees with the recommendation for a new credit institution. We do not feel that the task force envisoned a Federal Rural Development Credit System of the type proposed in S. 2223.

The significant points of the task force report appear in this statement: "The real strength of rural development is that it harnesses local energies and is run by local people who know better than anyone their own problems, their own capabilities, and their own priorities. Moreover, the report stresses that rural development depends on creating job opportunities, and that jobs are created by the ingenuity and ambition of private enterprise. Obviously, then, whatever we do we must not destroy the incentives of local people and private enterprise. We feel there are dangers of doing exactly this in legislation establishing a new federally controlled credit system.

Although it is obvious that some capital and credit needs should be shared by society, we see no convincing evidence that a "massive" amount of credit is needed in rural areas, as is suggested by the provisions of the pending bill. Department of Agriculture research, reflected in testimony on this legislation, supports this conclusion. Since the major problem in rural areas is farm income, providing rural areas with addition credit will not increase farm prices or provide additional income. In fact, too much credit dispensed by inexperienced people is harmful rather than helpful.

***Pages 597–598—Hearing IV.**

We strongly urge prudent effort to create more opportunity for people in rural America, to upgrade their incomes, and to reverse the migration from rural areas; but we oppose creating any new Federal agencies for financing rural development.

The key word is new, for we feel that necessary Government assistance can be obtained through existing programs.

STATEMENT OF W. B. ROBINS, GENERAL MANAGER, UTAH COOPERATIVE ASSOCIATION, SALT LAKE CITY, UTAH, AND PRESIDENT, UTAH COUNCIL OF FARMER COOPERATIVES*

Despite the splendid service to cooperatives rendered for more than 30 years by the agencies of the Farm Credit Administration including its banks for cooperatives and Farmers Home Administration, there exists today throughout the State of Utah and the intermountain area and, as a matter of fact, throughout much of rural America, a serious gap in credit available to cooperatives. I shall cite a few instances among dozens I have encountered personally—to illustrate the nature and seriousness of this lack of reasonable credit.

The organization I manage, Utah Cooperative Association (assets $3 million, net worth $500,000, volume $6 million annually, net earnings $90,000) is just now beginning to develop reasonable loan commitments after 30 years of business operation. For the first time in our history we were granted during the past 60 days a reasonable line of credit totaling $450,000 by a Salt Lake City commercial bank. This money costs us 10 percent annually. Were we able to borrow from the banks for cooperatives, the rate would be approximately 6 percent—an annual saving of approximately $17,000, equal to 20 percent of our annual net income. During the past 10 years Utah Cooperative Association has regularly paid, throughout much of each calendar year, interest on borrowed money at the rate of 10 to 13 percent annually. Our disadvantage in the marketplace is obvious—and serious. Not only have we suffered serious losses through high interest payments but because even these high cost funds have been limited, we have been short on facilities and short on inventories. We have lost cash discounts, missed volume buying discounts and have been unable generally to carry out expansion on an orderly basis.

At this moment, Uintah Farmers Cooperative at Roosevelt, Utah, needs $78,000 to expand its fertilizer and petroleum facilities. Incidentally, this cooperative is mortgage free except for about $3,000. Ashley Farmers Cooperative at Vernal, Utah, urgently needs $90,000 to expand its feed-mill equipment and add custom fertilizer spreading service.

Sevier Valley Cooperative Association at Richfield, Utah, has a legitimate need for $80,000. Castle Valley Cooperative at Huntington, Utah, has an excellent projected payout calculation on a new building for which $70,000 is needed.

Each of these cooperatives has a fairly strong balance sheet. Each has a long history of reasonably successful operations. Three are rated "good" and one is rated "fair" in Dun & Bradstreet's current ratings.

For various technical reasons, partly because of administrative interpretation, but mainly because the laws specifically provide otherwise, none of these established cooperatives is able to obtain financing through the banks for cooperatives, the Farmers Home Administration or the Small Business Administration. As a matter of fact these are among the few business corporations in the State of Utah—maybe the only ones—which do not have available an "umbrella of protection" in the form of Federal Government credit. Each pays high interest costs on any money which it is able to borrow and each is handicapped in developing business successfully because of the lack of reasonable financing.

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*Pages 607–608—Hearing IV.

There are opportunities, formalized requests as a matter of fact, to Utah Cooperative Association and to my colleagues at Utah State University, for help in organizing cooperatives to serve Utah's expanding apple growing industry. Groups of small dairymen (20 cows or less) are working desperately to form cooperative milking barns because new sanitation requirements now make it mandatory for them to operate on a scale equivalent to 75 or 100 cows. Commercial banks are not interested in "soft credit" as it is called when loans are made to agencies of this kind. Banks for cooperatives are not interested. Small Business Administration states that "cooperatives are not eligible for SBA loans." As a result, Utah State University etimates that perhaps 1,000 Utah dairymen——and Dr. Morris Taylor of Utah State, one of its leading economists, told me yesterday this figure is nearly 4,000. Perhaps 4,000 dairymen will be driven out of business in Utah during the next few years, many of which could be salvaged if reasonable credit were available to permit them to form associations or cooperative milk barns. Two or three such "association" barns have been organized, but we have been forced to use a structure of deliberate subterfuge, organizing as "for profit corporations" as a technical matter, operating "in the nature of cooperatives" in order to qualify them for SBA loans.

LETTER FROM JERRY VOORHIS*

Senator JOHN V. TUNNEY,
Senate Office Building,
Washington, D.C.

If rural America is to be revitalized there must be financing available to make possible improved housing, improved social agencies, and above all local ownership of business enterprises. The best and surest way to broaden local ownership of economic enterprises in rural areas is through cooperative ownership. This is true because cooperative businesses must belong to the users of their services. They cannot be sold off to anyone else such as big city buyers. They must remain locally owned as long as they exist.

Some of the purposes for which financing is desperately needed in rural areas are the following: (1) Better housing for rural residents both on and off the farms and including cooperative housing and housing for senior citizens, (2) Financing of nursing homes which might indeed be developed through the efforts of other types of cooperative businesses for the benefit of those who need them, (3) Group health plans together with the facilities needed to make them effective, (4)

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*Page 653—Hearing IV.

Better schools, and (5) and perhaps most important of all, cooperatively owned processing plants so that farmers' crops can be processed under their own ownership and sold with the greatly added value which processing makes possible. This already is being done to some extent by farmers' cooperatives; but if the position of the independent farm or of agriculture in general is to be strengthened and protected, then much more such processing must take place. Such loans would have to be made at low rates of interest if they are to be practical in assisting rural America. It is to be hoped that provision will be made to hold such rates of interest at some such figure as 3 or 4 percent.

Sincerely yours,

JERRY VOORHIS.

STATEMENT OF TONY T. DECHANT, PRESIDENT, NATIONAL FARMERS UNION*

(1) We should have a Council on Population Density and Rural Development. The Council should be established as a unit within the Executive Office of the President, with formal status comparable to the Council of Economic Advisers and other agencies within the President's Office. Its job would be mostly one of promotion to publicize an crystallize public support for policies and programs to bring about rural development and population dispersion.

(2) We must establish a rural development credit bank to help do the job of capital financing that will be required to achieve our goal. A separate credit bank is required especially to take on the expensive task of industrial development—of encouraging and stimulating industries to locate plants in rural areas.

In addition to creation of new institutions such as the Council on Population Density and Rural Development and the credit bank, a major policy enacted by Congress on population distribution would provide a framework of support for specific, nuts-and-bolts type rural development programs. Only when we have a basic policy commitment to balanced growth and rural redevelopment can we expect maximum results in achieving concrete, operating programs for industrial relocation, rural housing, health services delivery to rural people, improved rural communication and transportation systems, and other elements of rural revitalization.

We are concerned about another possibility that could result in reduced expenditures for rural development. It is the competition that could be expected to come from other interests. Undoubtedly, industries would become major competitors for funds. We recognize that it is desirable to have programs which will help rural areas attract industries. Any broad revitalization of rural America, of course, has to have this in mind.

However, we think there are better ways than taking funds from rural programs. An example would be loans from the rural development credit bank. Another example might be use of credit on taxes for investments made in rural areas.

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*Pages 127–128—Hearing II.

GOVERNOR FORREST ANDERSON OF MONTANA*

Federal programs are conceived by an urban oriented Congress. The programs do not adequately apply to the sparsely populated areas of Montana. Funding for action programs is difficult to acquire.

There is no federal program which provides money and credit at reasonable rates in order to increase profit and to develop efficient management.

GOVERNOR MIKE O'CALLAGHAN OF NEVADA**

Number one among problems in developing of rural America is the financial problem. Capital for improvement, venture and public service is in short supply in the cities; the conditions are worse in the rural areas.

Something needs to be done to make financing for rural Americans more easily accessible. Presently, funding agencies carrying farm accounts will not realize or accept the fact that the usual account is not eligible for servicing by a local banking agency.

After much hassling, the establishment of need may be resolved, at which time access to FHA financing is available. This appears to put the cart before the horse.

Today's rural economy, primarily agriculture oriented, is experiencing a continually higher gross income. But the costs of production are rising faster than the gross income, resulting in a lesser percentage of net gain. Obviously, financing then becomes the major problem for the rural producer, hand in hand with financing of crops themselves is financing for capital improvement and/or public services (sewer systems, water development, rural medical facilities, and so forth).

There are several cooperative programs with federal agencies at this time. Most of them, however, are so mired in "red Tape" that from planning to consumation, an area is fortunate to complete a project within five years.

STATEMENT OF HON. JOHN C. CULVER, REPRESENTATIVE IN CONGRESS FROM THE SECOND CONGRESSIONAL DISTRICT OF IOWA***

3. *Rural credit sources:* The Congress many years ago created a series of credit instrumentalities for agriculture but non-agriculture enterprises in rural areas are equally remote from the Nation's financial centers and thus have the same kind of difficulty in obtaining credit. This is a gap that needs to be filled by some form of public or quasi-public credit institution. A rural development bank could guarantee loans made through private lenders for community or area development and improvements; fund housing; provide loans to industry and businessmen who are willing to establish or relocate business in smaller communities; provide direct loans to communities for

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*Page 111—Hearing I.
**Page 113—Hearing I.
***Page 393—Hearing III.

special community facilities and services; and provide a full range of technical and planning assistance to those groups and individuals eligible to borrow money from the institution.

STATEMENT OF RALPH FITZGERALD, CHAIRMAN, UPPER EXPLORERLAND R. C. & D. COMMITTEE, CRESCO, IOWA*

We are here in behalf of the proposed Upper Exploreland RC&D project, with the goal of rural development in this five (5) county northeast Iowa area. We represent 70,045 rural and 25,627 urban people located in more than 2 million acres.

An examination of a report by the Cooperative Extension Service of Iowa State University, using the 1969 Iowa Income Tax returns and the U.S. Department of Labor Income Criteria as a source, we find:

(a) That 15.3% of Iowa farm population are economically disadvantaged. This is the state average.

(b) That our five counties however range from a low of 19.8% to a high of 33.8%. This is well above the state average.

We feel that your goal for rural development can be accelerated most readily by making long-term low-interest financing available in two areas; namely, land improvement and agriculture oriented industrial expansion. The term, land improvement, will mean tilling, terracing and pasture improvement on land suitable for agriculture use, without disturbing the wildlife habitat so necessary in our area to realize it's full recreational potential. As an example, one of our counties, Howard has approximately 70,000 acres of some of the world's most productive soil, with drainage so inadequate that it cannot consistantly produce a profitable crop. A corn yield study, conducted in Howard County by Dr. Lloyd Duminel of Iowa State University, shows that on his test plots, the *average* corn yield has gone from 47 bu. per acre in 1964 to a 1970 yield of 128 bu. per acre. It is true that improved seed, increased use of fertilizer, etc. contribute to this yield increase but the main reason is earlier planting, made possible by proper drainage, which in turn allows the ground to be prepared at an earlier date. This increase in yield will bring more income to the farmer resulting in a return to the government via taxes paid. Why does this condition exist? Is the Howard County farmer that backward? Not at all. When the bulk of Iowa farm land was tilled, it was hand dug to a depth of two (2) feet and was cost shared by the Federal agencies. The type of soil in northeast Iowa did not lend itself to the two (2) foot depth placement—it was simply not effective. With the advent of machine dug tilling at the four (4) foot level it became feasible, but caught between the rising cost of tilling and the lack of sufficient cost-sharing money at the federal level, he was left in a limbo. Today, $200.00 per acre tilling costs plus low farm prices and the high money market is not an encouraging prospect to the small family farmer. Today's lending practices are so restrictive that it threatens to eliminate the family farm. Only the well-to-do-farmer can afford to use present means.

We therefore urge the following steps be taken:

1. A source of long-term, low-interest loans be made available for land improvement. This should be in a sufficient amount that the ob-

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*Pages 480 and 481—Hearing III.

jective can be reached. The Farmers Home Administration has such a plan now, but it is so restrictive and limited in funds that it has been no benefit to community development.

2. Possibly a more practical approach would be enabling legislation that would allow the forming of a local Land Improvement Cooperative patterned after the R.E.A. Such a plan would keep administrative costs at a minimum and allow the most direct benefit for each dollar spent. The established rate of 2% interest would also be reasonable for this project.

Of almost equal importance in the realm of rural development would be similar type loans to local non-profit civic development groups to be used for establishing industrial sites. These funds would be used to build railroad sidings, roads, water extensions, etc., items that cannot readily be charged in a lease purchase agreement, but can be repaid by the group if they operate the industrial site as a business. Community money is being raised to aid in obtaining industry and such means as revenue bonds and local banks financing is being used for industrial building. These are limited to the degree that there is more industry available than local financing can accommodate. Selected industry broadens the tax base which in turn means more money to operate local government.

STATEMENT OF HERBERT W. PIKE, WHITING, IOWA*

There is general agreement, I believe, that many rural communities are in trouble, and that lack of credit is one of the reasons. Private investors tend to channel their funds into areas of high volume and low risk. Homes in the open country and in small towns have less zoning protection, have fewer public services, and are less readily saleable because of the smaller numbers of people.

Probably the credit risk is greater in financing rural housing and community improvement projects than in either urban housing or agricultural loans. I would expect that government will either have to supply a good share of these funds or at least underwrite the risk.

If credit is not available to replace homes and expand business in rural areas, these communities will degenerate into areas of people too old or too poor to move. Landowners who are concerned about recruiting capable young farmers and farmers who would like to see their own sons come back to the farm, should realize that the quality of life in the local community will have a bearing on where these young people decide to locate.

Inflation and rising costs have made it difficult for both the small farm and the small business to survive, because neither has much opportunity to spread increased costs over a larger volume. As the surviving farmers solve their cost-squeeze problems by getting larger and more efficient, the small town businessman finds himself with fewer customers and insufficient volume to compete with retail outlets in the larger towns.

Farmers have a stake in maintaining a trading point and community services close to their farms. As farms get larger and rural populations decline, we are faced with what the researchers call the "social cost of space." Services cost more, or may not be available in rural areas, simply because there are not enough customers to cover the increasing overhead costs of local businesses and government institutions. If retail stores continue to move to larger towns further away, it may well take farmers, even with better roads and faster transportation, as long to get in town as it did in the horse-and-buggy days. On page 10 there is a table which shows the distribution of the 1970 population in the various towns in Iowa. Of the 948 Iowa towns, about half of the people are in the sixteen largest towns. If we were to assume that towns smaller than 500 population will have difficulty in offering a full complement of retail stores and providing municipal services, it can be seen from the above table 498 (52 percent) of Iowa's, incorporated cities and towns are too small.

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*Pages 484–486—Hearing III.

(The table is as follows:)

DISTRIBUTION OF 1970 POPULATION IN IOWA

Size of town	Cities		Population		
	Number	Percent	Number	Percent	Percent
0 to 499	493	52.0	115,343	5.7	
500 to 999	205	21.7	146,859	7.1	
1,000 to 4,999	190	20.0	392,765	19.3	
5,000 to 24,999	44	4.7	405,513	19.8	
25,000 and over	16	1.6	982,858	48.1	
Total towns	948	100.0	2,043.338	100.0	73.2
Rural			747,127		26.8
Total, State			2,790,455		100.0

Source: Preliminary census data. Iowa Marketing Research Corp.

Mr. Pike. Did I hear Mr. Wymer say he felt a thousand population was about the minimum size to attract industry? In Iowa 74 percent of the towns have less than 1,000 people.

Like the buildings on a farm, a strictly rural town is not self-sufficient, but serves as a headquarters for the surrounding land. Just as farmsteads have become surplus in the trend toward larger farms and fewer people, so will some of the smaller towns.

My hometown of Whiting, with a population of about 600, is a good example of one of these many small Iowa towns. In a business way, it is no longer able to compete with the county seat of Onawa, 8 miles to the south, or with Sioux City, 30 miles to the north. Certainly, its future will depend upon economic activity and jobs in Onawa and Sioux City, as much as support from the 150 remaining farmers in its 99-square mile school district.

Whiting is a pleasant place to live, supports two churches and has a good school. There is plenty of parking space. It has city water, a sewer system, and most of the streets are paved—probably a million dollars in municipal improvements which should continue to be utilized. A reasonable goal for Whiting might be to strive to become a high quality residential area in the strip city we think will develop in the Missouri River Valley between Sioux City and Omaha.

One of the frustrating things to a farmer living outside the city limits is that he really has very little to say about a town's future. I think Whiting could use some help in zoning and planning, especially to find out where they are headed.

STATEMENT OF J. D. HAYS, PRESIDENT, ALABAMA FARM BUREAU FEDERATION, MONTGOMERY, ALA.*

RURAL DEVELOPMENT CREDIT

Sufficient supplies of usable water and adequate waste disposal systems are basic to economic progress in rural areas. We support the sound extension of public and private credit for financing private, community, or district facilities.

We support adequate funding for programs established under provisions of the Rural Water Facilities Act of 1965.

Funding of other credit needs in rural development should be provided primarily from private sources supplemented by public funds under authorities administered by the Farmers Home Administration.

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*Page 740—Hearing III.

LAND USE, NATURAL RESOURCES AND OTHER FACTORS

THOS. L. KIMBALL, EXECUTIVE DIRECTOR NATIONAL WILDLIFE FEDERATION*

As we see it, one of the most important single needs before the country is for a national land-use plan, as has been proposed by both many Members of the Congress and by the administration. Only by developing a comprehensive and coordinated overall plan which would recognize the principal values and uses of all of our various resources, can the maximum advantage be obtained from them. This, in effect, well could result in rural zoning and we believe such a plan and program is necessary to identify all of the best potentials in these important areas.

STATEMENT OF EUGENE ADAMS, PRESIDENT, MOULTRIE PRODUCTION CREDIT ASSOCIATION, NORMAN PARK, GA.**

Our Future existence will certainly be on the same land as today. Our water use will double in less than a decade. Water then is just as important as land. We will be fed, clothed, and housed from the same thin layer of top soil that feeds us today. In a decade we will need a third more food, housing for 100 million more Americans, roads for double the number of cars and trucks, space to dispose of another million tons of waste annually. Yes, in a decade land use must be more intensive.

Therefore, we must adopt a sound land use policy, one that will enable us to sort out the land best suited for recreation, agriculture, commerce, housing, and highways, a land policy that will establish priorities and make the best use of our God-given natural resources and perpetuate them for the future.

STATEMENT OF MRS. HAVEN SMITH, CHAIRMAN, WOMEN'S COMMITTEE, AMERICAN FARM BUREAU FEDERATION, CHAPPELL, NEBR., AND CLIFFORD G. MCINTIRE, DIRECTOR, NATIONAL RESOURCES DEPARTMENT AND ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION***

In still another area of policy, we suggest that many acres marginal to the technology of intensive agricultural operations should be returned to a forest cover. Lands now forested need improvement if our future needs for lumber and wood products are to be fulfilled adequately.

It is our view that the resources of the public lands are important to the total economy—and that national policy relating to wise use of Federal lands is essential to sound rural development.

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*Page 95—Hearing VI.
**Page 912—Hearing III.
***Pages 164-170—Hearing II.

I hope in the study of your committee on rural development, the importance of rural development in the States where there are substantial acreages of public land will also be evaluated. As you know, there is a report submitted to Congress by the Public Land Law Review Commission. It was my privilege to serve on the advisory committee of that commission. I am certain the subcommittee and you as chairman appreciate that in the States where there are very substantial Federal land holdings, and about one-third of our lands are Federal lands, that rural development in those States is related very closely to the resources of those lands.

These resources are not just simply the scenic beauty, as important as that is. There are renewable resources there. There are extractive resources also that, properly managed as a great many of them are today, provides the basis upon which the economy of both the livestock industry and the forest industry provides a very important basis to rural communities of those States and thereby important to rural development in the Nation.

I suggest as you consider rural development across America that the relationship of the management of the federally owned lands is vitally too important to economic development whether these lands represent 87 percent as is true in Nevada or whether it is 3 or 2 percent like some Eastern States.

STATEMENT OF RICHARD T. O'CONNELL, SECRETARY, NATIONAL COUNCIL OF FARMER COOPERATIVES*

The demand and supply outlook for timber for housing and other purposes indicates severe shortages and much higher prices unless strong effort is made now to improve the productivity of the Nation's 300 million acres of private non-industrial forests. These private forests are now producing less than half their potential. The 180 million acres of industrial and Federal forests cannot close the supply gap. Their capacity will have been reached by 1985.

The principal supply problem is softwood lumber and plywood; but future supplies of pulpwood and high quality hardwoods also are threatened.

In addition to solving the timber supply problem, is the need for protecting and enhancing forest-related environmental values that are essential to rural and urban life. The private nonindustrial forests must play an important role in solving this problem.

They must also help meet the increasing demand for a wide variety of forest-based recreation. Because of their large acreage, and their proximity and accessibility to population concentrations, the recreation potential of these forests is great.

Solution of these problems will require long-term investments with a relatively low rate of return. The benefits in most cases accrue to the general public rather than to the landowners. Current programs do not offer incentives that will overcome these obstacles to private investments. The proposed program offers new incentives for accomplishing this.

The principal objective of the program recommended is increased softwood production. Enhancement of the environment, production of nontimber goods and services, and increased production of high quality hardwoods are also emphasized.

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*Pages 279–280 ; 309 ; 325–328—Hearing II.

The measures that would be taken include:

Resource protection and environmental enhancement.
Forest establishment.
Forest improvement.
Recreation and wildlife habitat improvement.
Complete management planning.
Production of nontimber products.

Cost-sharing for program practices will be the major incentive, at least during the first few years. Special incentives would be used when needed to assure availability of trained and organized work crews, equipment, planting stock, and other operational needs. Incentives such as loans and annual payments would be tested on a pilot basis.

Incentives would be made available for improving nearly 38 million acres of forest in State, county, and municipal ownerships in addition to the noindustrial private forests.

The program is designed to fill specific gaps in existing cooperative forestry efforts. It will not duplicate existing institutional or operational approaches, but will add to and complement existing forestry efforts.

The major agency roles in the USDA will be played by the Forest Service, the Agricultural Stabilization and Conservation Service, the Farmers Home Administration, the Extension Service, and the Soil Conservation Service.

The Forest Service will provide leadership and coordination at the National level. It will work mainly through the State forestry agency or equivalent agency that will direct field administration of the program.

During the first year the proposed program would provide for treatment of more than 1.6 million acres at a Federal cost of $21.3 million, of which $1.8 million would be loans.

In 10 years treatment for 56.7 million acres would be provided at an average annual Federal cost of $98.5 million, of which $4.4 million would be loans.

The program is expected to increase annual growth of softwood sawtimber by 8.6 billion board feet. This program will be needed throughout the next 28 years in order to supply the estimated 20.9 billion board feet needed from non-industry private lands by the year 2000 at a relative price index of 115 (100=1962–1967 average prices).

SUPPLEMENTAL STATEMENT OF USDA PROPOSED LEGISLATION FOR A FORESTRY INCENTIVES PROGRAM

In June 1970, President Nixon received and endorsed the findings and recommendations of the Task Force on Softwood Lumber and Plywood of the Cabinet Committee on Economic Policy. The Task Force reported that a substantial increase in the supply of softwood timber products will be needed to meet the Nation's growing requirements, especially our pressing housing needs. Specifically, the report noted that steadily increased supplies from non-Federal forest lands will become increasingly important in the years ahead.

When he received the Task Force report, President Nixon directed the Secretary of Agriculture to press ahead with development of programs designed to increase the production and harvesting of timber on State and private lands, consistent with maintaining environmental quality. The proposed forestry incentives program is intended to meet his objective.

Conrad M. Fowler, Judge of Probate, Shelby County, Ala.*

The Federal Government should support to the fullest the development of our natural waterways. Economic growth, job opportunities, expanding tax receipts, have followed the completion of each and every developed waterway in the Nation. We in Alabama are particularly aware of this. Two of the Nation's great uncompleted waterway projects are in Alabama, the Coosa-Alabama River system and the Tennessee-Tom Bigbee Canal.

For years we have sought the full development of the Coosa-Alabama River system. It extends from Rome, Ga., diagonally across the entire length of Alabama--through 26 counties, 23 of them rural—to empty into the Mobile Bay and Gulf of Mexico. Much has been done. The waterway will be navigable to Montgomery in September 1971. But the development of the system north of Montgomery appears to be a slow go.

After years of dreams and hopes authority to begin construction of the Tennessee-Tom Bigbee Canal has been granted. We hope nothing will obstruct the orderly progress of this project. Yet the opposition is active and determined. A national rural development program should affirm that the completion of the development of our natural waterways is of the highest priority. Completion of these waterways for navigation would do more for the economic growth of Alabama than any other single factor.

Ray Hargens, Secretary, Iowa Ass. of Electric Co-ops**

In 1968 the Water Resources Council of the executive departments increased the discount rates used by Federal agencies in evaluating proposed water development projects from 3¼ percent to 4⅝ percent, which will be increased on July 1, 1971, to 5⅝ percent. A decision of this sort makes many projects unfeasible at a time when the continued development of our natural resources for the benefit of people is paramount. Here again, the human element involved seems to be less important than the bookkeeping of the U.S. Treasury.

There are other programs that are viewed with dismay in this region. What is happening in the Missouri River Basin in regard to irrigation projects? Projects authorized 27 years ago have never been funded, and yet today with the urgent need for conservation and recreation, these funds remain frozen.

One program urgently needed to improve economic conditions and also enhance recreational opportunities is the complete development of our soil and water resources. It is appalling that the soil conservation service has been in existence since 1935, and yet less than one-third of our cropland has received proper land treatment. The Federal Government should expand the soil conservation program and increase the funding with the goal that all agricultural land will receive conservation treatment by a specific date.

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*Page 575, 576—Hearing III.

**Page 703—Hearing III.

STATEMENT OF VIRGIL FODNESS, EAST RIVER POWER COOPERATIVE, LENNOX, S. DAK.*

We also plead with this committee to prevent the administration from further eroding the REA 2-percent loan program. REA has been one of the Federal Government's most successful rural development programs. While benefiting more than 20 million rural Americans, the REA program has paid more than $1 billion of interest to the Federal Government in addition to repaying on schedule virtually every penny of principle.

At a time when much of the Nation is continually exposed to the dangers of blackouts, brownouts, and freezeouts due to shortages of electric power, it becomes indisputable that the REA loan fund appropriations should be increased for both distribution and power supply cooperatives. Only the Congress can provide such increased appropriation and we urgently appeal to this committee to recommend such congressional action.

The National Rural Electric Cooperative Association's latest survey of loan fund needs of its members reveals that by the end of 1972 there would be a backlog of $964 million of unmet needs. Yet, the 1972 loan budget will meet roughly only one-third of these needs.

Here in the Missouri Basin States, this lack of adequate loan funds is particularly crucial. Rural electric systems have been hard put to carry on even with 2 percent money, because our consumer density in some cases dropped to less than one consumer per mile of line. The total average density is somewhere around only two or two and a half per mile.

If the Congress and the administration are truly concerned about rural development, and a better quality of life for rural people, we suggest that the slow strangulation of the rural electric program is hardly indicative of such concern. While the cooperatives have organized a supplemental source of capital, the CFC—National Rural Utilities Corporative Finance Corp.—this institution is in its infancy, and cannot satisfy the current captal requirements of the REA borrowers.

ROBERT W. SHIVELY, INDUSTRIAL DEVELOPMENT MANAGER, NEBRASKA PUBLIC POWER DISTRICT, COLUMBIA, NEBR.**

The Soil Conservation Service has been in existence for nearly 40 years, and yet less than 35 percent of our land needing conservation treatment is receiving it. The Department of Agriculture should expand the soil conservation program, and increase the funding with the goal that all agricultural land needing it will receive conservation treatment within 10 years. Soil and water conservation practices reduce flooding, silting, and pollution of our streams; preserve soil, improve crop production; prevent erosion; provide wildlife habitat; create recreational opportunities; and stabilize streamflow and water tables. Much of the engineering work has already been done. With adequate funding and encouragement from the Federal Government, the construction of the necessary structures and the installation of

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*Page 581—Hearing III.
**Page 259—Hearing V.

conservation practices would provide an immediate economic input into rural areas and create recreational opportunities to improve the quality of life. It would be an investment in America's future. In addition to increased funding, the Department of Agriculture could encourage the application of conservation practices by eliminating commodity subsidy programs on crops grown on land not adequately treated after the 10-year program.

STATEMENT OF L. C. "CLELL" CARPENTER, VICE PRESIDENT, MIDCONTINENT FARMERS ASSOCIATION, COLUMBIA, MO.*

May I again use personal experience. I serve on the Governor's watershed advisory committee which makes recommendations and establishes priorities of action under Public Law 566, the Watershed Protection and Flood Prevention Act. These projects are classic examples of community development. Flood and erosion control protection plus environmental control and improved crop production capabilities are provided the farmer, while his city cousins are provided water supplies, recreation, as well as environmental improvement.

It has been almost embarrassing to serve on this advisory committee during the last year. Here is our dilemma: Eleven watersheds authorized for detail planning; three watershed areas awaiting planning authorization in Washington, D.C.; three areas with preliminary investigation started; four areas with priority given for preliminary investigation. And, at our last meeting, approximately eight additional watershed areas made requests to be considered. Our only action was to move two of the most meritorious out of the eight requests into the category of being considered for preliminary investigation.

STATEMENT OF JOHN S. WILDER, PRESIDENT, NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS, SOMERVILLE, TENN.**

We need a national growth policy that is founded on calculations of this kind. We also need a national land use policy that sets forth those areas best suited to agriculture, urban development, recreation, open space, timber production, public facilities, transportation, and industrial development; and the conditions under which such uses are considered acceptable. Growth policy and land policy are inseparable.

This country needs to take one further step. This is to take deliberate action, within the limits of the policies suggested above, to reduce further migration to the cities by encouraging the development of new centers of population in appropriate uncongested locations and upgrading the quality of life in what may always be expected to remain essentially rural areas.

There are three kinds of programs already under way in this Nation, and with which our conservation districts are intimately associated, which should be at the core of an expanded and more effective rural development process in the United States. They are upstream watershed projects, resource conservation and development projects, and river basin planning and development.

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*Page 254—Hearing IV.
**Pages 67–71—Hearing II.

There are over 1,000 upstream watershed projects underway across America. They prevent floods which would otherwise damage crops, small towns, and businesses. They provide water for municipal use, recreation, and industries. They prevent erosion, increase farm income, and enhance natural beauty.

Construction of reservoirs and other structures in these programs has already provided 19,000 man-years of employment. Small local contractors handle much of this work. Their expenditures for gas and oil, concrete, seed, and fertilizer, and other supplies have a significant impact in rural communities.

By 1970, 57,000 new jobs had been created through expansion of established industries in watershed projects and the arrival of new ones made possible by the flood protection and water supplies provided. Over five million visitor days of recreation have resulted, further improving local economies.

In addition to the 1,000 projects already sponsored by conservation districts and municipal governments, with assistance from USDA and State agencies, there are an additional 2,000 projects for which applications have been made. And there are another 6,000 projects that are potentially feasible under existing standards.

Resource Conservation and Development Projects are sponsored under the 1962 Food and Agriculture Act. The purpose of these projects, and there are 70 in operation, is to plan the use of soil, water, forest, recreational, and other natural resources for economic improvement on a multicounty basis. New ways to utilize and process agricultural products are developed. New crops with better markets are recommended and grown. Timber utilization industries are expanded. Water supplies are developed, and new industries attracted. Social and educational services are upgraded. Tourist and recreation opportunities are exploited. New parks and hunting and fishing areas are opened.

This is true rural development because it uses the unique resources available to the community on the basis of a comprehensive plan that is put to work, not laid on a shelf.

River basin planning, which integrates watershed projects, R.C. & D. projects, and other economic development work into a comprehensive whole, ties together such programs into a system that meets regional needs on a much larger scale. Such work needs further support, but we cannot emphasize it at the expense of the programs that meet day-to-day problems of people at the farm and local community level.

It may be more glamorous to set forth wholly new ideas for generating rural growth, but we are convinced that the concept of these programs is sound, and that their acceleration will be highly effective.

Laws, funds, programs, and policies are of no use without leadership and social organization. The members of this committee are familiar with the network of conservation districts that exists throughout this Nation. These districts are no longer simply erosion control districts as they were in the late 1930's. And they no longer work exclusively with the Department of Agriculture in providing services to local landowners and communities.

Today's conservation districts are more representative of all the people in their communities, both rural and urban. They plan and help to carry out a wide variety of programs designed to use natural resources more efficiently. They sponsor watershed projects, resources conservation and development projects, and sediment control programs. They assist with recreation, fish and wildlife enhancement, and forestry developments. They work with a great number of Federal, State, and local environmental, agricultural, planning, and economic development agencies.

In areas of rapid urban growth, they have formed regional associations to coordinate resource work. These have been formed in the Chicago, Minneapolis, southeastern Wisconsin, Upper Great Lakes, central Nevada, San Francisco Bay, and Indianapolis areas, among others.

In recent years, State legislatures have enacted over 100 new laws giving districts wider responsibilities for resources development. They have provided, as have county governments, additional funds to carry out their work. The Congress has recognized their growing capabilities, giving them additional responsibilities in the extended Great Plains Conservation program and the new Water Bank program.

It is our view that conservation districts, if given additional funds and responsibilities, can provide the sorely needed leadership and coordination for rural development throughout the Nation at the local level. They are subdivisions of State government, they include virtually every acre of land in the Nation, and they are recognized for their dedication to the principle of scientific land use planning and bipartisan action.

I think that the depreseed areas of this Nation need some advantage over the exploded areas of this Nation. I think—for instance, San Francisco says they need more water, but they may need less people. I think there need to be incentive, initiative, monetary reasons to cause disbursements. The depressed areas must have an advantage, there must be a reason for something to happen there.

It is not easy to detonate action in these areas unless an economic advantage for something to happen will not happen. So I think there is justification in it and I think it would result in the good of the Nation.

FREDERICK G. WEFSO, NORTHWEST NEBRASKA COMMUNITY ACTION COUNCIL, RUSHVILLE, NEBR.*

One thing that I don't think has been brought up, we do need some expertise and advice. We got into an area where we were competing with foreign imports and this was a shoemaking business, and we thought that we could take our minimum wage people, and they all are minimum wage, and they are all unskilled, and train them and compete with Italian shoes, and that is impossible. So we failed in that respect.

We were fortunate; we did find out that the Small Business Administration is very gracious in loaning money for our brick and mortar setup, our building. Then they stopped there. And then when you fail, here they come. And I do think that when you live 500 miles from the home office of Small Business Administration, they could possibly hire some people, maybe some of these retired people who were mentioned earlier today, to come out and give you a hand.

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*Page 186—Hearing V.

A small town of 1,200 people doesn't have a great amount of knowledge in big business management and productivity and in marketing. So I think they should follow that up.

STATEMENT OF RICHARD M. KINNE, CHIEF, INDUSTRIAL DEVELOPMENT, SLASH PINE AREA PLANNING AND DEVELOPMENT COMMISSION, WAYCROSS, GA., IN BEHALF OF MAX W. HARRAL, EXECUTIVE DIRECTOR*

The Department of Agriculture recently employed Fantus Company to determine if its program can aid rural development, specifically in the field of industrial development. We will not attempt to discuss the Fantus report, except to refer to two specific points made. USDA was told that research is needed on location opportunities specific to community size and geography and documented with specific industrial cost date. This is an expensive task requiring trained researchers or money to pay for consulting services. In many cases local committees of manufacturers might become involved, but it also takes guidance for these committees. Not every Economic Development District or APCD has staff qualified to handle this activity; and if it does, funds are not sufficient to undertake new programs nor to disseminate results of this research once it is completed.

It should be pointed out that the Economic Development Administration (EDA), through the encouragement of the Economic Development Districts, also is involved in "rural" development. EDA on a national level, however, now seems to be leaning toward an urban concept—concentrating its efforts to promote larger growth centers such as communities having 50,000 population or more.

In a recent speech, Mr. Arnold H. Leibowitz, Director of the Office of Technical Assistance in the Economic Development Administration, said there was little effort being made to transfer technologies resulting from technical assistance research projects. Reports go unimplemented in many cases because there is no one interested. He says there is a need to build capabilities to produce what he terms "follow-on efforts". In fact, there has been little attempt to transmit these reports to the Economic Development Districts with staffs capable of transferring technologies. Since the so-called "cost reduction" policy of the Economic Development Administration has dealt a sharp blow to the service potential of Slash Pine and a number of other districts throughout the country, it would be necessary for the districts to be provided additional funding in order to successfully deal with substantial new responsibilities.

GOV. J. J. EXON OF NEBRASKA**

Tourism—we have not yet tapped the potential of tourism or leisure-type activities in our rural areas. Specific Federal funds available to support the PAL program could aid and accelerate development of lakes, ponds, cabin sites, vacation facilities, and hunting reservoirs in order to better utilize our natural resources.

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*Page 945—Hearing III.
**Page 127—Hearing V.

SENATOR HENRY BELLMON [1]

More rural jobs could also be created through development of the great recreational potential of rural America. Natural lakes and forests developed into recreational centers can provide substantial incomes to rural people employed to manage them. And great influxes of vacationers can create a market for small business services which would bring additional revenue.

MAURICE A. TEPASKE, MAYOR, SIOUX CENTER, IOWA [2]

III. *Low-cost recreation.* Federal funding and matching funds can continue to make a tremendous contribution to the quality of rural living through various recreational, Open Space, and other similar programs. Some of these efforts have lent themselves to unfortunate innuendoes and political bigotry, but the principle stands firm that encouragement toward the efficient and economic use of leisure time is of the utmost importance socially and economically for our rural areas.

DR. D. B. VARNER, PRESIDENT, UNIVERSITY OF NEBRASKA [3]

A fifth point that I should like to make is that specific programs must be designed to help enrich the quality of life in rural America. Let me offer a specific recommendation. It is my judgment that the most effective instrument in helping achieve this objective is the National Endowment for the Arts, which during its brief history, has made a significant contribution to improving the quality of life throughout America. Working through the State councils for the arts, this agency of our Federal Government has the potential for making even more effective contributions and with a particular emphasis on improving the life-style of rural America.

STATEMENT OF MAX KIBURZ, GENERAL MANAGER, LOUP RIVER PUBLIC POWER DISTRICT, COLUMBUS, NEBR.[4]

I think one of the most important things is the good living for all of the employees of the concern that locates in this area. This takes on many aspects. If we just look at a few of these in Columbus which have influenced this in the past we will find that Columbus has a very fine elementary school system, they have just completed a junior college which is also strong in vocational teaching which is made available and coordinated with the industries in the area to supply their needs. We have a fine golf course and country club, we have a fine municipal golf course. We are accessible to the metropolitan area of Lincoln and Omaha within about an hour and a half drive. We have very fine hunting in the immediate area.

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[1] Page 52—Hearing I.
[2] Page 384—Hearing III.
[3] Page 141—Hearing V.
[4] Page 264—Hearing V.

We have a fine lake which is part of a peaking reservoir owned by the power district. The construction of this lake is an indication of the feeling of the power district for the community. This is a 200-acre lake, and the way it was constructed required some wave protection. This could be done by either concrete walls to protect the banks or by a gradually sloping bank. The lake was constructed with fairly flat sloping banks which were covered with gravel so that we have a 200-acre lake with a complete beach on all four sides so that it is a very fine recreation area for this community and this area.

We have an area here which is basically made up of relatively small communities so that practically any place in town in Columbus you can be to work within 5 minutes after you leave your residence; you have plenty of time to go home for lunch; you have plenty of time to go out for recreation or for other outside activities after your normal day of work is done. This is extremely important for some people.

We have an outstanding example, in our area, of what a small industry can do to support a small community. This is in the town of Lindsay (population 291) where the Lindsay Manufacturing Co., manufactures irrigation equipment. This town is growing, is prosperous, and has a fine spirit because there is an industry that is providing jobs in the community.

DR. J. C. EVANS, VICE PRESIDENT FOR EXTENSION, OKLAHOMA STATE UNIVERSITY, STILLWATER, OKLA.*

Next observation: "Rural development as an aggressively wanted communitywide action program cannot start unless local people want it, and it cannot succeed unless local leaders aggressively promote it. If a community lacks leadership, if it lacks local concern, if it is not convinced that it should become a better place to live, then perhaps it shouldn't."

That is a direct quotation from the publication New Life in the Country, with which I am sure you are familiar. I wholly subscribe to that philosophy. It is not for us as part of a university to tell the people in a community which way they ought to go. We can help them assemble the facts, to really study and identify accurately what those problems are. They need to make the decision. We help them sort out the alternatives and figure we do not know what the best alternatives are for them.

As a part of the same idea, a statement I wrote several years ago seems relevant and apropos:

> In a political democracy, it is true that people demand to be consulted and exercise the right to pass judgment, but they do expect to be led by the leaders of the institutions in society.

Leadership for University Extension personnel here is earned by the development of factual material, assisting local people to analyze what it means to them, and by helping them arrive at a decision on a course of action where they want to go.

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*Pages 22 and 23—Vol. V.

Rural Electric Co-ops Diversify in Attempt To Keep More Customers Down on the Farm*

By James C. Tanner

LaFayette, La.—An aggressive new business is beginning to surface in smalltown America. It is called a rural electric cooperative.

By name at least, the nonprofit consumer-owned co-ops known as rural electrics are old-timers. Farmers started them in the 1930s with 2% loans from the Rural Electrification Administration. They drove the kerosene lamp from the countryside, only to find that more than bright lights were needed to keep people down on the farm.

But now the rural electrics are making a comeback—by shedding the farmer image and by becoming activists in their communities.

This new approach by the rural electrics has made a homeowner out of Rodney Savoy. The 23-year-old truckdriver from nearby Scott, La., had given up on getting a home loan until he attended one of the meetings on housing being held in this area by Southwest Louisiana Electric Membership Corp., or Slemco, of Lafayette. The co-op steered him to the Farmers Home Administration for financing and told him how to apply. Mr. Savoy now is building a three-bedroom brick house.

Thanks also to Slemco's efforts, a new school for mentally retarded children is being built in the little town of Iota. At the town's request, Slemco helped Iota make a pitch in the Louisiana legislature for the school.

BOOSTS PLANTS, HANDLES HIRING

The Lafayette co-op gets considerable credit, too, for a yarn products plant under construction at Martinville. The plant will provide 1,000 jobs for the area, reports U. J. Gajan, general manager of Slemco. He should know. After helping St. Martinville get the new industry, he sent Slemco staffers to the town to screen job applicants for the plant.

Around the oil fields, rice paddies and crayfish and catfish farms of Cajunland—this French-speaking part of south Louisiana—Slemco is considered somewhat of a swinger. Its annual meeting of consumer-members draws more than 10,000 and is considered one of the biggest fetes of the year in Lafayette.

Slemco isn't a typical co-op. With 38,000 consumer members, it is one of the largest, if not the biggest, in the nation. But its change in emphasis to community development is being shared increasingly by the other rural electrics.

The co-ops are sponsoring and promoting and in some cases building, new houses, schools, parks, golf courses, swimming pools, hospitals, resorts and factories in the rural areas. Samplings of scores of the nation's 1,000 rural electrics indicate that at least three out of every 10 are involved in such nonpower projects in the regions they serve, and the trend appears to be snowballing.

"We've got to make the rural areas more palatable to stop the migration to the cities," says W. V. Thomas, general manager of the Wisconsin state association of rural electrics.

Growing evidence suggests the migration already has stopped and perhaps reversed. With new highways and the clean air of the countryside beckoning, more urbanites are moving to smaller towns and commuting to jobs in the cities. Many others are building weekend and vacation homes in the rural areas. "Everybody wants his five acres in the country," says a Texas co-op official.

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*Pages 325 and 326—Hearing II.

Obviously, the rural electrics are beginning to benefit. Nationally, these co-ops have 6.5 million meters linked to their lines and are expected to add at least 150,000 more this year. More than half of the 20 million to 25 million people provided power by the co-ops, based on four persons per meter, already are "nonfarm" (electricity users who may live on the farm but don't make their living there), and seven out of eight new customers of the co-ops fall in this category.

The metamorphosis in membership rolls is reflected in part by the changing attitudes of the co-ops. "To say we took the lantern off the farm means nothing to most of our members now," says Ronald J. Knause, manager of member and community service for Blue Ridge Electric Membership Corp., Lenoir, N.C. He notes that only 10% of Blue Ridge's customers derive most of their income from farming today, versus 90% 25 years ago.

Even so, the so-called investor-owned and municipal power companies are continuing to cut into the territories of the co-ops, leaving many of them only with still-sparsely settled regions. And many of the residents of these regions are among the nation's poorest.

THE TENNESSEE VALLEY AUTHORITY: A RURAL DEVELOPER SINCE 1933

THE DECATUR STORY*

(Speech by Barrett C. Shelton, Editor, Decatur (Ga.) Daily, Sept. 5, 1949 to the United Nations Scientific Conference on the Conservation and Utilization of Resources.)

Ladies and Gentlemen of the United Nations Conference:

I am privileged to tell you the story of Decatur, Alabama, a town that has come from "nothin' to something" in 15 years of a working partnership between the Tennessee Valley Authority and the people of my town.

It has happened to us, it can happen to you, if you have the courage, the intelligent determination and make the most of your opportunities. For TVA is not a magic wand. TVA would be helpless to activate community progress without the brains and the energies of a free people.

In the beginning I opposed TVA. I didn't know what it intended. I knew I wanted no government control of my life, nor over the lives of my people.

Throughout much of our lives the progressive citizens of Decatur had tried to better conditions. And it appeared that no matter in what direction they turned, the result was far from producing lasting good.

Then 1933. Economic depression settled down on the United States, more pronounced if possible in the Tennessee Valley and in Decatur.

The one major industry we had, which had kept 2,000 men at work, closed. This railroad shop gave way to the truck and the bus and economic conditions. Decatur lost this industry completely. Another industry which in earlier years we had brought from New England with considerable subsidy in money, went bankrupt. A third industry, manufacturer of full-fashioned hosiery, went to the wall from poor management and bad times. Seven of eight banks in our county closed.

Our farm situation. We had only one crop in the Decatur area—cotton—and cotton was five cents a pound. Lands were selling for taxes, the people were ill-housed, ill-clothed and out of hope.

So you can see that we were not interested in saving a dollar or so on our power bill. That would solve little or nothing. We needed jobs and opportunities for our people.

Into this dismal, perplexed economic setting one late midwinter afternoon came David Lilienthal, then a member of the board of directors of the Tennessee Valley Authority. Four of our citizens who had long been hopeful of improving conditions generally met him in conference. We were almost frankly hostile, for he represented to us another way of thought and another way of life. And our conversation might be summarized in this fashion. "All right, you're here, you were not invited, but you're here. You are in command, now what are you going to do?"

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*Pages 843–847—Hearing III.

Dave leaned his chair back against the wall and the twinkle of a smile came into his eyes, as he said gently and firmly, "I'm not going to do anything. You're going to do it."

He went on to tell us something we never knew before. He went on to say that TVA would provide the tools of opportunity—flood control, malaria control, navigation on the river, low cost power, test-demonstration farming to show how our soils could be returned to fertility, a fertility lost through land erosion, another wayward child of one-crop system. He told us the river would no longer defeat man, but would become the servant of man. "What you do with these tools," he said, "is up to you."

Dave Lilienthal has passed the task right back to us, right back to local control. He let us know that simple economics could be applied in the Tennessee Valley and that the faith, determination and sweat of the people would bring about the result we had eagerly sought for so many years.

Later, Dr. Harcourt Morgan, another member of the TVA board of directors, came to us and talked to us about lime and phosphate and legumes, and the relationship of people and land. He did not speak of great industry. Rather did he speak of the need for farm markets and farm processing plants and of increasing the value of our farm products through manufacturing process. He opposed the tearing down of other sections of the United States by seeking their industry with subsidy, the promise of cheap electricity and poorly paid labor. He told our people the simple story of making the most of what we had, of developing our own natural resources, of putting to work the little capital that we owned, of growing our own industry based upon the resources of the land.

What was this? David Lilienthal and Dr. Harcourt Morgan had promised us nothing beyond the tools which were to come from the waters of the Tennessee River and the land-building and health-building practices which were included in TVA at the direction of a wise Congress when this independent corporation of the government was created in the nation's darkest economic hour.

We decided then and there that the economic system we had followed had to be improved upon, and to improve it we had to pioneer an entirely new plan of economics.

Our townspeople needed jobs, our farm people needed month-by-month payrolls, rather than a once-a-year income secured from the harvesting on one crop.

The old order, the old way of doing things had to change, or our people would never have the opportunities to which their efforts entitled them.

First, we had to adopt this new thought given to us by the two members of the TVA board. We had to quit thinking of reaching into other sections of the U.S. and subsidizing industry to come into our section. Second, we had to begin in a small way to build toward a diversified agriculture and a diversified industry. We could never again, if our people were to survive, allow ourselves to be dependent upon a one-industry and a one-crop system.

Our first step was to form our own Chamber of Commerce, formed at a time when most people didn't believe it could be done. There was very little money. So, with considerable struggle, we got together some cash and more pledges amounting to $3,000 for the budget the first year. A man who lost all he had in the crash of one of the industries we had brought to Decatur with subsidy, became the first secretary at a salary of $100 a month.

We then decided we were going to develop a cash market every day in the year for every farm product grown in the Decatur area. We were going to welcome industry, but not wait for it. We were going to develop our own farm processing plants.

We decided a packing plant would be the first venture and persuaded the local ice company to put in packing plant facilities when there wasn't as much as one wagon load of hogs in our whole county. We are now producing our own livestock to meet the demands of this market.

We then turned to milk, formed a little corporation with paid-in capital of $15,000 telling every stockholder to forget his investment, that he would never receive any return from his money anyway. What we were trying to do was establish a payroll every two weeks for the farm families of our section. The first day that plant went into operation there was a total supply of 1,800 pounds of milk. Today the production of milk pouring into this one plant peaks at 60,000 pounds and we have just started in this agricultural industry. What happened to the stockholders? Well, they never failed to receive 6 per cent annually on their money and about two months ago that little plant paid stockholders a 100 per cent dividend.

Along about that time we got some help from the outside. Navigation on the Tennessee River made it possible. Here, you see, is an exciting example of what can happen when a liability is changed into an asset. The Tennessee wasn't navigable before the creation of TVA, there was no opportunity for a successful flour mill operation. Low-cost power didn't attract Nebraska Consolidated Mills Co. to establish the Alabama Flour Mills at Decatur. Navigable water did it, plus the possibilities that flour could be produced at a cheaper cost per barrel owing to savings on freight. The impact of this industry on our section was tremendous. Farmers could grow grains because there was now a daily cash market. They could produce corn and wheat, and all the grains with assurance that they would sell their production. They could get cash for products for which previously there had been no market.

Tennessee Valley Fertilizer Cooperative, a fertilizer mixing plant serving 10 counties, was established by the people. Later, when we saw the possibility of selling seed commercially, this same organization put up a modern and efficient seed-cleaning plant.

An alfalfa-drying plant has been built, another way of keeping our pledge that markets would be established every day in the year for every product grown in the Decatur area.

These are specific illustrations of the forward-looking change which has taken place in the minds of our people. These indsutries, land builders and man builders, could never have been pictured in the minds of a defeated people, of a people who in the year before TVA saw an uncontrolled river flood and wash away the best soil, erode the back lands, wash crops, houses and barn doors down an angry stream.

You can see by now that the opportunities which were at hand in the development of the river and the region were being seized upon by our people with renewed courage and confidence. We now knew that we couldn't be licked again, that what had been preached to us by TVA was the economic truth.

A resident of a nearby town came into Decatur with an idea that he could build a market for poultry. We agreed with him and encouraged him to go forward. Today, this market though no more than three years old in our area, is doing a $3,000,000 business.

Today there is a market for cotton, corn, wheat, livestock, milk, timber, small grains, truck crops. Fifteen years ago we were dozing in the sunshine waiting for that once-a-year payroll brought by cotton and wearing out our second finest resource, the land. Today the cash income from all farm products in the area surrounding Decatur is $43,000,00. Land building did it. Flood control did it. Navigation did it. Malaria control did it. TVA, with the other state and federal agricultural and health agencies, their teachings activated by an intelligent and determined people, did it.

Let's stop here for an illustration of the value of malaria control. Did you ever have malaria? I have, the majority of my people have. Do you know what you want to do when you have malaria? Nothing. You want to prop your feet on your desk, or if you are not an office man, perhaps you'll take a day or two off from your job in industry or take out of the fields, just to get a rest. Malaria is restful—and nonproductive. Soon after the creation of TVA a nationally known manufacturer of full-fashioned hosiery bought a bankrupt hosiery plant in our community. The new company introduced physical examinations for all employees and found that 35 percent of all employees had malaria. Ten years later, after the TVA malaria control program had been in action, the figure had dropped below 1 percent. Today, because malaria is completely controlled, this hosiery firm does not even require the malaria test in physical examination. And what happened to the people in that plant? Why, they outproduce the employees of three other plants of this same company. That's what defeating malaria has meant just in this one illustration of how government can be helpful to people by making it possible for them to help themselves.

Industry-wise, our people have not been sleeping. Here again the pledge has been kept to never again be dependent upon any one major industry, or to seek after big industry alone. By the year 1940, there were 61 firms manufacturing a product in Decatur, Alabama, employing 2,834 people with an annual payroll of $3,159.000. By 1944 the number of industries was 68, employing 6,908 people with an annual payroll of $12,927,000. In 1948 the number of firms making a product had reached 87 and employment, off from the war peak, was 5,204, but the annual payroll was $12,605,000, just a quarter of a million short of the payroll total during the war. You see, through the years we have been putting together the industrial picture in sound fashion. We had sought after diversity of industry rather than bigness.

Keeping soundness ahead of bigness in industry, you will be interested in a partial list of products now processed or manufactured in Decatur. These include: flour, brick, tile, meats, furniture, boxes, baskets, structural and ornamental iron products, tanks, skids, septic and grease traps, poultry processing, felt hats, crude cottonseed and oil, steel ships and barges, dairy products, aluminum fabricating, steel nuts and screws, concrete pipe, copper tubing fabrication, cotton and rayon tire fabric. Once, a short time ago, we were dependent on one industry.

Down through the years we have never hesitated to use the technical opportunities within TVA. In our considerations of types of industry needed in our community, we have gone to TVA repeatedly to ask that the facts concerning such projected industry be assembled. I have said before and I say now that TVA has the most capable personnel with which I have ever come in contact, either in private or public service. No matter what department we sought out for advice on industrial or agricultural matters, we have always received willing and dependable factual assistance. The people in TVA have worked weeks and months on some of our requests, and never once has there been any directive issued to us. They have always told us. "Now here are the facts, the decision on what you do with them is up to you. The decision was our own, this government corporation believes and practices community development at the local level.

Just a moment on the electric picture. Have the benefits of electricity been made wide-spread? In 1939 there were 3,800 customers in Decatur, in 1949 there are 6,933. In 1938 they burned 12,000,000 kwh annually, now they burn 120,000,000 kwh annually. In 1938 the average sales price to the residential customer was 3 cents per kwh. Today it is just above 1 cent—and our Electric Department made $182,000 net for the year closing June 30, 1949. You ask if the Electric Department pays any taxes. Well, the private company paid $7,500 annually in 1938. The municipal operation pays to the City of Decatur $28,000. Yet we have the second lowest residential rate in the U.S.

What has happened in these 15 years in the spirit of our people? Are they confident without being over-confident? Do we look toward the future with assurance?

Let me give you three illustrations. Recently a copper processing plant decided to build a branch plant in the South. Two hundred seventy-four communities in 11 states were contacted. Do you know where that plant was located, an investment of $12,000,000? In Decatur, Alabama. Do you know what the difference was between that valued plant locating with us or elsewhere? The difference was in the spirit of the people—our confidence, our friendliness, our genuine interest in working with them on their problem, was the difference.

Or let's look at this figure to prove what's happening in Decatur, Alabama, in this partnership between the people and an independent corporation of the government. In 1933 there were 7,000 property owners listed on the tax books of our county, today there are 11,000. The assessed valuation has grown from $15,000,000 to $22,000,000. The population of our town has grown from 12,000 to 24,000, and yet, the most significant change has been in the thinking of our people. We have come from the status of a well-nigh beaten citizenship, merely existing, to a hopeful, exuberant, smilingly confident people, secure in the belief that given the opportunities afforded through making the forces of nature the servant of man, and with intelligent determination and sound application of the principles of economics, we could rise to heights of good citizenship, limited only by our own imposed limitations.

Decatur today is a community of 35 churches, all instruments of a kindly Father above, Who guides and directs our every step, a young city whose people recently taxed themselves to build a new $1,500,000 high school for our boys and girls, where the hand of the future has already shown us the necessity for doubling the capacity of our water system at a cost of $1,100,000, where our electric department is just completing a $400,000 expansion program to be ready for the future, where our people are constantly at work on new plans to perfect a soundly begun economic system so that our people might have opportunities to earn better things of life.

I would like to close with this summary. Senator William Knowland, of California, who came to the Tennessee Valley to see for himself what had been accomplished since the creation of TVA, returned to tell Congress that TVA was the greatest boon to private enterprise he ever saw. Or in the words of Dr. Sen, a visitor in Decatur from the Embassy of India, who viewed TVA as an improvement in an ever-improving democracy, or in my own way of answering visitors who come into our section of the Valley and ask, "Wouldn't this all have happened without a TVA?" And my answer to one and all is, "It didn't!"

STATEMENT OF AUBREY J. WAGNER, CHAIRMAN OF THE BOARD, TENNESSEE VALLEY AUTHORITY, MUSCLE SHOALS, TENN.*

New industries have not concentrated in a few congested locations. They have sought out those sites where their plants can be served by a combination of highways, railroads, and the navigable waterway; it has been demonstrated time and time again the presence of these alternative transportation modes at a single location acts as a magnet for new industries. As a result, much of the industrial growth has occurred near small towns or even where no town at all had existed. The importance of this kind of development to those who have lived in these rural areas is obvious. Opportunities for jobs have arisen in their own neighborhood.

All along the main river, towns that had been dependent on the surrounding farm economy—Calvert City, Ky., New Johnsonville in western Tennessee, Decatur and Guntersville, Ala., to name a few—have become or are in process of becoming industrial complexes. Similar developments are taking place along tributary streams where TVA has deepened the channel to bring barge transportation to points already served by railroads and highways. The town of Calhoun on the Hiwasee River in eastern Tennessee, is one example. Similarly the Melton Hill Dam on the Clinch River has brought commercial navigation to Clinton, Tenn., at the foot of the Cumberland Mountains, where a fairly large industrial site is already being utilized by two industries, and the remaining acreage is under active consideration by others.

In eastern Tennessee, we have under construction the Tellico Dam and Reservoir project which will bring navigation to a juncture with a trunkline railroad and a through highway at a point where several thousand acres of industrial land are available. It will provide one of the more exciting—and esthetically, one of the most beautiful—employment opportunities in Appalachia.

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*Pages 260–263 ; 266–267—Hearing IV.

The evidence is clear that careful and opportune resource development of the kind I have described can stimulate industry—both large and small—in rural areas, provide jobs for young people moving from their farm homes, help stem outmigration, and in so doing ease the problems, not only of the larger cities in the Tennessee Valley area, but of metropolitan centers throughout the Nation.

I do not want to give the impression that TVA's purpose is simply to dam up all the streams or that our only concern is in creating job opportunities. Our efforts are designed to utilize the water resources, along with others, to best serve the needs of the greatest number of people in our region.

In some instances this means dam and reservoir construction, while in others it means preserving free-flowing rivers, capturing esthetic and historical values—but in any case, improving rather than harming the total environment.

We are sensitive to the needs and demands for environmental excellence, for opportunities to enjoy the woods and waters in many ways. We know that man's poorest environment is joblessness and hopelessness, while his best environment is in productive and rewarding work. But we also know that a good life requires more than just a job. We are determined that in the Tennessee Valley there shall be beauty along with opportunity; a sound and protected resource base along with expanding employment.

The success of industrial development in rural areas depends ultimately on the ability of smaller communities to compete with urban centers in attractiveness and services, as well as in making land resources readily available. The grant programs that have been opened up to these communities in the last decade have been very helpful—in fact, essential—but matching grants can be exhausting. In working with communities we have heard frustrated small town mayors exclaim that they had "enjoyed" all of the matching grants they could stand. We believe the availability of specialized credit to finance part of the cost of revenue-producing facilities or services that could not be taken care of by commercial institutions can help rural development.

It seems to us that there may be a parallel to the situation in the 1930's relating to rural electrification. In that era, the feasibility of bringing the blessings of electricity to rural customers had to be demonstrated. In the Tennessee Valley, for example, only about 3 percent of the farm homes had electricity in 1933, whereas today it is available throughout the area. A major factor in rural electrification throughout the country was the making available of adequate amounts of credit. When credit was supplied, State and local agencies were able to make an ambitious dream a reality.

Many of the current-day financing needs of small communities are related to revenue-producing services similar to electrification. All they need for success is initial credit. But there are other services that are only partially self-liquidating. Provision of funds for these through loans and incentive payments would, in turn, leave local tax funds available to finance services that produce no revenue.

In almost every project that TVA has undertaken, one or more local organizations have acted—and are acting—in partnership with us, sharing costs, sometimes taking over one element of a program providing the community leadership and local management without which the maximum economic and social benefits of the project could not be attained. Fortunately, it has been possible for TVA's project partners to find one means or another of financing their responsibilities in connection with such projects.

However, there are aspects of rural development for which financing from conventional sources has been difficult or impossible to obtain. For example, many rural communities in our region (and I should think across the Nation) are in need of solid waste management systems for trash collection and disposal. This is an urban service that is expected in metropolitan areas and which ought to be available as well to rural residents. TVA has worked with a number of local committees in devising countywide collection systems and we have found tremendous local interest. Nevertheless, plans for such systems have not been put into effect except in a few instances because they require an initial capital outlay for compactor trucks and installation of bulk containers at close intervals throughout the area. Financing of initial capital costs for this type of service by existing credit institutions is not generally available and local governments are reluctant to use their bonding authority for new services of this type. As a result many rural areas will continue to have grossly inadequate facilities for the handling of solid wastes unless a new source of credit can be found.

Many other desirable developments have been prevented by a lack of adequate funds. In 1951 TVA leased 95 acres of Government land on Cherokee Lake in eastern Tennessee to Grainger County for a public recreational development. It is a beautiful site on the lake that is suitable for the creation of a bathing beach, camp grounds, baseball fields, and similar public recreational uses, but in 20 years the only thing the county has been able to afford has been the installation of a few picnic facilities. Similarly, in 1955 we leased about 100 acres of Government land on Norris Lake to Campbell County, Tenn., which is a suitable site for the installation of day-use facilities such as picnic tables and group shelters.

Yet there has been virtually no development at all at this location. In this instance, the lack of funds for the maintenance of such facilities is as much of a deterrent to the county as is the capital outlay that would be involved. The provision of these recreation facilities, Mr. Chairman, is one of the amenities which add to the pleasures of rural life and makes industry there competitive with industry in the larger areas.

I know of one small community with which TVA has been working to develop plans for a sewage treatment facility, for which sufficient financing appears to be available in the form of grants and loans. However, the community is hesitant about undertaking this much-needed project, principally because of the feeling that a population of 1,200 may not be able to carry a debt of some $370,000. A nearby town has, in fact, defaulted on bonds issued for its sewerage system.

STATEMENT OF JOE SIR, CHAIRMAN, LOWER ELK COMMITTEE, ELK RIVER DEVELOPMENT ASSOCIATION, FAYETTE, TENN.*

In October of 1969 we asked TVA to help us build on the Lower Elk a QUALITY ENVIRONMENT LIVING AREA with tensions of our cities engineered out, where a full range of social, economic and racial groups can work, live and play without despoiling the land or each other.

It would be a *prototype*, the first of its kind; since its people would make their homes adjacent to a resort environment, as well as work nearby.

Physical features:

Industrial water would be returned to streams clean enough to drink.

No gaseous poisons would be emitted into the atmosphere.

All industrial and residential waste would be collected and processed for reuse or to render it harmless.

Traffic would be compatible with a slower pace of living, with roads engineered to reduce speed and all but necessary motor vehicles eliminated from residential and recreational sectors.

Hard surface pavements with fast run-off would be kept to a minimum by use of porous paving material which would permit water to trickle down.

All lines, wires and pipes would go underground. To preclude defacing the land by frequent, costly excavation, they would be of a capacity and durability to last for 50 years.

Hot water and steam from TVA's atomic generating plant, nearing completion at Browns Ferry on the Tennessee River to the south, would be piped to adjacent sectors of the Lower Elk for heating and air conditioning, for irrigating and heating greenhouses and gardens, for treating sewage and for other uses to be devised.

Every structure would blend with the natural setting. In this connection, public transportation would eliminate part of the need for parking pavement. Even with space for dispersal, residential and business sprawl would not be permitted. Nor would industry, under the pretense of having room for expansion, be allowed to acquire more acreage than it would need.

A wildlife restoration and enhancement program would restore many species of animals, birds and fish now vanished from the land and streams. There should be elk, as when the Indians named the river "Cherwalle," their name for Elk. And bison, plentiful in that day, should be brought back.

Industry:

To be economically viable, our *prototype* will require a new base of manufacturing, processing and distributing industry. With the advantages that will make our region most attractive, we would be selective. We would admit only industries which fill a regional or national need and they would be required to conform to every environmental safeguard.

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*Pages 831–835—Hearing III.

Social features:

Expansion of the functions of the county governments so that they would be a prime force in planning, designing and operating the development.

Training centers for the unskilled or to teach new skills to area residents.

Involvement of area residents in new enterprises by offering technical assistance and loans.

In the field of health, most advanced diagnostic and treatment techniques available for all, with preventive medicine assigned priority.

Along with water oriented recreation, athletics and other outdoor sports, there would be quality facilities to develop the mind and nurture the spirit of man. Drama, music, art and crafts should be part of a recreation program geared to abundant leisure.

Public education should, in our *prototype*, become more than a laborious governmental function. It should induce a vital human relationship between teacher and student. First, education must help people develop as perceptive, happy, creative human beings and only next as technicians, engineers and scientists.

With machines and computers to perform many activities now considered work for people, study and creative play will be a form of human labor for the future. Consequently, education must engage both industry and recreation in lifelong learning processes for everyone.

Private efforts toward building new communities—commendable as they are—cannot come to grips with the country's natural resource and human resource problems. The job is too immense. It is regional. It is national. Private business cannot even build new towns until federal investments pave the way with interstate highways, water, sewers, grants, loans or subsidies. Nor can state and local governments do the job.

The times demand a national demonstration in total community and regional building. The automated society coming on fast will grow in leisure and in its expectations even faster than in numbers. This requires that we protect our land, water, and atmosphere from further destructive exploitation.

And national tranquility, if not national survival, in the meantime summons full attention to human resources, abused and neglected for too many years.

Back through endless ages, a scarcity of the necessities and amenities of life has conditioned men to regard one another too often as producers and consumers rather than as human beings.

First among nations, our country has reached a level of productivity at which this is no longer necessary.

We on Elk River feel this country now must show a matching level of concern.

We have called on TVA to help us serve today's human needs, even as we enhance the resource base for coming generations.

THE NEW RURAL SOCIETY

(By Dr. Peter C. Goldmark, President and Director of Research.
Goldmark Communications Corporation)

Ninety percent of the population of the United States lives today on less than ten percent of the land. If the trend is allowed to continue, the year 2000 will find 200 million of the nation's then 300 million people still living on less than ten percent of our total land area—and crowded into twelve densely-populated urban centers.

Half of the population—150 million Americans—will be huddled together in the three largest urban concentrations: Boston-Washington, Chicago-Pittsburgh, and San Francisco-San Diego. And experience has already proven that high-density living inevitably results in increasing many fold the problems of crime, narcotics, poverty, pollution, traffic, housing, education—and just plain living.

We have been heading inexorably toward today's crisis of urban overpopulation and rural underpopulation for the past several centuries. A look backward to the beginnings of mankind reveals that this environmental blight—ecologically and economically—was inevitable.

Man is gregarious—by nature and by necessity.

Ten thousand years ago, when families lived in crude shelters or caves, the ten million people on this earth, about the population of Greater New York City today, organized tribal communities for mutual protection and for social relationships. Men could provide better for their families by hunting and fishing together. They could protect them better against enemy attack by living close to one another.

Land was the hard-core basis of existence for many thousands of years. Man used the land to graze the cattle he raised to feed and clothe his family. He used the land to grow the crops he fed his family. Nature provided him with clear air to breathe, clean water to drink, and the raw materials from which to create shelter and to fabricate essential implements.

Eventually, the beginnings of trade developed. Individual artisans evolved, speciailzing in making tools and clothing and other products which they bartered to provide for their own families' needs.

Men began to explore. They traveled over land and water to hitherto unknown places. They opened up new markets for their own goods and returned home with products of the places they visited.

Soon, as we measure time in history, inventive minds found ways of producing goods in mass quantities. And the industrial revolution took workers out of their homes and into manufacturing complexes. Communities became cities. Our patterns of living changed drastically.

Farmers continued to remain independent operators for a good many years, working their individual farms, free from the turmoil of the cities. But the cities grew larger and larger. Entrepreneurs found centralized operations easier to manage and people wanted to live close to their places of employment. We began to pollute the air and the water—with even those who recognized the pollution considering it a necessary evil of progress.

Science and technology grew more sophisticated. During the past 200 years, the number of books (titles) grew from a million to 50 million. Scientists could now learn about ideas and discoveries of others without having to explore ground already covered. The flood of text books accelerated teaching.

The end result has been an abundance of new and attractive products, with increased productivity making possible more and more goods, and with more and more people marketing them for more and more consumers.

World population has sharply increased in the last few hundred years. By the year 2000 there will be six billion people on earth. And life expectancy today is two and a half times what it was 200 years ago when 30 years was the average life span.

The abundance of land has, of course, remained. But we are overlooking the use of most of it. This country is supposed to have the highest standard of living the world has ever known. But millions of people are crowded into the squalor of unsafe, unhealthy, crime-ridden ghettos.

Agriculture and forestry, upon which we depend for the food we eat, the raw material for clothing and shelter, and many of the conveniences of modern living, is becoming industrialized.

The young people of rural America are flocking to the larger cities in far greater numbers than they ever did. And ever since World War II, the increasing availability of higher education has made the big city a mecca for the young college graduate who sees little possibility for the "fuller life" in the rustic or smalltown atmosphere in which he was raised.

The floodtide influx to the cities began with the demands of World War I production. It surged away up again when the United States become the "Arsenal of Democracy" for World War II.

Many workers who have come to the huge industrial centers during peak production periods have not been equipped by temperament or training to survive economically in the times of oversupply of labor Result: the enervating ghettos have developed with all their attendant evils. Ghetto children are raised without proper shelter, proper food, proper education and with an instilled belief that there is no place for them in established society.

Disadvantaged in every respect, they quit school early, can't find jobs to support themselves, turn to drugs for pseudo-amelioration of their lives, and to crime to support the expensive false luxury of non-reality. Dropouts from productive society, they are a continuing menace to the well-rounded life which the so-called "square" citizens of the metropolises seek.

Middle class big-city residents are finding life for themselves and their families more and more intolerable. Transportation to and from work is a daily nightmare. Proper schooling for their children is suffering from overcrowded conditions and insufficient tax revenues to correct the situation. Decent rental housing is practically out of reach. Individual home owners are becoming rarities because of inadequate land space and skyhigh building costs and taxes. Cultural and entertainment opportunities abound but crime on the streets makes people hesitate to take advantage of them.

Suburbia is no longer the answer. The once quiet, homelike communities to which city workers escaped from the urban jungle are themselves ceming overcrowded and criticized—by their very proximity to the large metropolitan centers. Mass transportation between cities and suburbs has become unpredictable, uncomfortable and uneconomic.

Meanwhile, rural communities, isolated from the bustle of city life, are for that very reason dwindling away to unproductive bucolicism with inadequate tax money for essential public services because local population and business are on the downturn.

A solution must be found to the dilemma of too many people in the cities and two few people in the rural areas. If we are going to have 100 million more Americans in the year 2000, we must provide them with the kind of living and working environment they want either in an improved urban atmosphere or in a newly-created Ruralurbia.

The population dispersement problem has not gone unrecognized by socio-economists. In 1968, at the request of the President's Advisory Group on Telecommunications, the National Academy of Engineering created a panel to develop ways of applying communications technology to the alleviation of existing urban conditions and to more productive use of the nation's land resources.

This panel joined forces with the Connecticut Research Commission to form a joint NAE–CRC committee on Cities of the Future. The group's research has had the joint support of the Departments of Housing and Urban Development, Justice, Commerce, Transportation and Health, Education and Welfare, as well as the U.S. Postal Service, the Federal Communications Commission, and the National Science Foundation.

The Rural Development Subcommittee of the Senate Committee on Agriculture and Forestry has expressed the conviction that the recommendations of the NAE–CRC task force are not only practical but are essential to the future of rural America.

The concept of the New Rural Society can breathe life back into expiring rural communities and relieve urban congestion. It can provide our citizens with the kind of living each individual family feels is best suited to its day-by-day wants.

The New Rural Society is practical. We already have all the essential tools with which to accomplish it. Science and technology have invented the communications techniques. All we have to do is to innovate these techniques to bring to smalltown living bigtown conveniences, culture and leisure-living opportunities, without the byproducts of pollution and poverty and rampant crime.

The New Rural Society is not wishful thinking. Phase I in making it a working reality is already underway. Funded by HUD, endorsed by the State of Connecticut, under personal observation by representative of ten other states, hailed as a giant step forward by numerous federal agency officials and political leaders, a twelve-month study is now being made in a rural area in northeastern Connecticut—the Windham Region Planning Region—which is in a sense a microcosm of this country's population pattern.

The study—budgeted at $361,000—is being conducted by Fairfield University. Because of my background as chairman of the original NAE panel and the NAE–CRC joint committee, I am serving as the project's director as my personal contribution to the cause. Technical assistance is being provided by the staff of Goldmark Communications Corporation. Actual testing of the efficacy of two-way, multi-use communications systems is being made possible through free access to the Southern New England Telephone Company's microwave link between Willimantic and Hartford.

The Windham Region covers about 326 square miles with its western border some 25 miles from Hartford. Only five percent of its land is urban. Thirteen percent is agricultural. The remaining 82 percent is undeveloped.

About 33 percent of the labor force living in the Windham Region commutes out of the area—78 percent of these commuters working in Hartford or its environs. The development of new towns or moderate expansion of existing communities could provide the needed facilities for business and industry to operate in the towns, enabling people to work in the communities in which they live.

The results of the Windham study will develop a format for the nation to adopt if we really want to face up to the crisis confronting us. It is an opportunity to turn the country around, effecting requisite relief to urban pressures and rural debilitation.

It will give people a free choice of living in comfort in a big city or in a small community—enjoying equal benefits in both, according to individual tastes.

What will be the way of life of the average family in the New Rural Society?

First of all, if the head of a family is to provide them with the necessities and amenities of life, he must have a choice of productive employment in work for which his skills and bent best suit him.

Commerce and industry have already decentralized much of their operations. Telephone and TWX, for example, provide readily available communications between one point and another—between corporate headquarters and its plants and branch office operations. But this type of communications is basically a one-to-one facility. Through existing communications technology, "both-way" broadband cables can provide right now up to 40 channels in use simultaneously.

With broadband installation, a company can set up specialized operations anywhere. Everyone in the company involved in any phase of an operation can be in constant touch with that operation—and simultaneously with other locations—through audio-video interconnected multi-channel telecommunications. Visual material, from letters to blueprints, computer output and the like, can be instantaneously transmitted from any company facility to other facilities.

This means that it is not necessary for national concerns to house thousands of workers in soaring skyscrapers to conduct their widespread enterprises efficiently. Quiet communities in rustic surroundings can be utilized or new towns established to accommodate moderately-sized staffs, with companies in complete communications at all times with all of their activity-sites.

These communities will afford the man or woman earning a living the opportunity to progress from an economic viewpoint, while enjoying a well-rounded life, without the traumatic existence of big-city working and living.

Within the communities of the new Rural Society, internal communications networks will provide every essential public service a family needs for everyday living. A two-way random access network will serve as a basic "nerve system" as vital as streets, water and power.

This network, encompassing voice, data and videophone, will put anyone in immediate contact with anyone else to meet emergencies or to carry on regular daily communications.

A network of broadband cables carrying a multitude of television channels into individual homes will provide the ability to "attend" municipal agency meetings via the home television set. Its two-way faculty will enable instant polling of public opinion on important community issues under discussion. Through "frame freezing," the householder will be able to get on demand (via his television set) such diverse information as travel schedules, weather conditions, pollution levels, shipping opportunities, traffic conditions, listings of current cultural and entertainment events, and so on.

Key community officials and vital institutions will be interconnected through broadband cable to insure smooth operation of public services. The system will include city hall and all municipal offices, hospitals and nursing homes, schools and colleges, libraries, police and fire stations, bus and railroad terminals, airports, and any other town facilities.

Superimposed on these networks will be a town emergency service: the 911 police and fire emergency system, augmented by automatic identification of a caller's location, as well as a system to keep constant tract of the locations of vehicles operated by police, fire, sanitation, utilities, and other fleet operations.

Radio and television broadcast facilities will be integral to the communications capabilities. Private and public network broadcasting will be brought in. A special cable system will provide local-origin programs of specific interest to the individual community.

This new rural living will immeasurably extend the opportunities for higher education for the youth of these communities. Each town will have a small local campus interconnected by two-way broadband television circuits with the region's central university. No institution of higher learning will have to turn down worthy students because of lack of room or teaching staff. Local students will gather in their own classrooms and participate in classroom discussion at the main campus and listen to lectures by the faculty members stationed there.

General cultural and entertainment events of quality will not be overlooked. As part of a national high-definition closed-circuit television network, broadband cable systems will bring the opera, concerts, live Broadway productions, top sports events and so on to theaters especially equipped to receive such performances. A high-resolution color television system of 1,000 lines will use cameras and projectors particularly designed for live pick-up and large screen projection.

The most suitable national distribution method for this system is probably through a synchronous satellite, broadcasting several of these high-definition TV signals which will be received by the local high-gain fixed antennas.

A major goal of the Windham Region project is to create an intergovernmental body of federal and state officials with the responsibility of initiating a coordinated national effort to spread our population literally across the land and truly take advantage of our greatest natural resource—land. The official observers from the states and the federal agencies will have first-hand knowledge of this projection potential of the program when the current regional test study is completed.

The Windham Region task force is studying with business and government the specific nature of day-by-day procedures, practices and communications that now usually result in meetings, memos, letters, presentations, and other often wasteful consumption of expensive man-hours. It is developing methods of substituting broadband and other communications media to handle these routines. The end-result of this phase of the study will be practical data on how effectively multi-location operations can function within the concept of a new rural society.

Windham Region planners and other town officials are being consulted on standards and limits to establish the optimum rate and pattern of growth to ensure the highest quality of living. The studies are being coordinated with relevant State agencies to make sure that the program developed in in the best interests of Connecticut as a whole. It will also be established, that when a working program is charted out, the necessary supporting resources (utilities, surface and air transportation, etc.) will be available, based on decided-upon growth goals.

The study team is experimenting with the use of a variety of terminal equipment for broadband and various communications links to ascertain the specific implementation needed to provide the essential services to make the development of the communities feasible and self-sufficient.

This is the concept of the new rural society The year's study results should define and expand its practicability and desirability. The problem is not a new one. It has been with us a long time. People have huddled in high-density complexes because rural areas did not seem to offer any opportunities. It is up to us to reverse the trend.

The British realized the direction in which their own country was heading more than a quarter of a century ago. In 1944, the Abercrombie Plan provided for the establishment of a whole series of new towns around London, beyond the so-called Green Belt.

Thirty-one new towns were built. They all attracted business and industry. But office employment continues to increase in London. Britain has concluded that no program of this nature can be successful within the framework of existing, overtaxed communications facilities. Decentralization without communications expansion only serves to reduce operating efficiency of existing facilities.

As a result, the British are currently designing several broadband services: a national data network, conference television, cable educational television for the London area, and household wired television.

We have available today all the communications technology to carry on the program we are proposing. We need only to innovate, not invent. Most cities are already social networks of communications. But if we superimpose on these electronic networks without forethought, the results will be a greater congestion and complexity of operation—and the danger of a breakdown, rather than a buildup, of essential social and business relationships.

We must plan new small towns and the reasonable enlargement of smaller communities in rustic areas on the basis of an integrated, efficient, and self-sufficient network of communications, of transportation, of utilities. With meticulous planning and with meticulous follow-through, the new rural society will become a reality, healing many of our social ills.

IMPROVING THE MANAGEMENT CAPABILITIES OF SMALL LOCAL GOVERNMENTS

THE LIBRARY OF CONGRESS,
CONGRESSIONAL RESEARCH SERVICE,
Washington, D.C., February 18, 1972.

To: Senate Subcommittee on Rural Development.
From: Government and General Research Division; Charles W. Harris, Division Chief.
Subject: Improving the Management Capabilities of Small Local Governments: Sources of Assistance.

(Research by Sandra S. Osbourn)

The enclosed information has been compiled in response to your request regarding services available to help small local governments improve their public management capability. As the Interagency Technical Assistance Study Committee noted in its report, "Utilizing public management improvement as a criterion for distinguishing selected programs is somewhat difficult on a functional basis since most of the programs directly or indirectly influence the administrative capability of State and local community development agencies." * The programs and services listed herein are those which seem to have the greatest potential for achieving the specific objective of management improvement.

While few of the programs are specifically designed for small communities, they are available to them as well as to larger cities. The listings includes four major sources of assistance: the Federal government; State governments; universities; other organizations. The following information is provided for each program: name of the agency; objectives of the program: eligibility criteria; purpose of the program. In some cases, examples of how small local governments have used the program are included.

We trust this information will be helpful to you. Please don't hesitate to call if we can be of any further assistance.

THE LIBRARY OF CONGRESS,
CONGRESSIONAL RESEARCH SERVICE,
Washington, D.C.

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*U.S. Department of Housing and Urban Development. Urban Management Assistance Administration, *Handbook of Federally Supported State Technical Assistance for Community Development; Report of the Interagency Technical Assistance Study Committee,* Washington, 1969, p. 68.

IMPROVING THE MANAGEMENT CAPABILITIES OF SMALL LOCAL GOVERNMENTS: SOURCES OF ASSISTANCE

I. FEDERAL GOVERNMENT

A. Comprehensive planning assistance (701)

1. Federal Agency: Department of Housing and Urban Development, Office of Assistant Secretary for Community Planning and Management.

2. Objectives: To encourage state, local and areawide officials to improve executive planning, decision-making, and management capability and to establish and improve their staffs and techniques; to encourage community planning and management as a continuous process; to assist State and local governments and areawide agencies to solve problems, realize opportunities and formulate and implement policies related to community development and growth for urban and rural areas.

3. Purpose and eligibility: Grants may be used to support and strengthen State and local government chief executive management capability by:

(a) Improving the chief executive's ability to establish goals, objectives and policies, allocate resources, evaluate programs for achieving objectives, devise methods for obtaining effective public participation in policy decisions and assess program performance;

(b) Modernizing State and local governmental institutions and areawide structures to address community development issues and to provide more responsive service delivery systems;

(c) Improving governmental systems and operations;

(d) Analyzing, recommending and evaluating fiscal policies and arrangements for providing governmental services and facilities; and

(e) Establishing a framework for coordinating intergovrnmental planning and development activities and public and private development.

Grants may also be used to support State Community Development services including but not limited to:

(a) Direct technical assistance to local or areawide officials on problems of community development;

(b) Advice on pending development decisions;

(c) Professional studies concerning local development problems, objectives, alternatives and priorities, and organization and administrative processes;

(d) Preparation of technical guides and manuals dealing with the planning, programing, or management of public services, facilities, and resources; or suggesting new approaches to concerns such as housing, community relations, or capital improvement programing.

Grants are made to the States for local planning and management assistance to counties, cities and municipalities, and groups of adjacent communities having a total population of less than 50,000, Indian reservations, disaster areas, federally impacted areas, and metropolitan and nonmetropolitan areawide planning organizations.

New guidelines for the Comprehensive Planning Assistance Program reflect a shift of emphasis which gives greater thrust to the Program's potential for improving the executive and managerial capacity of local governments. The guidelines, which were printed in the *Federal Register* on February 4, 1972, amend Title 24 of the Code of Federal Regulations by adding a new part. They broaden the scope of comprehensive planning to include assistance to local governments in "the broad range of governmental activities, services, and investments for which assisted governments are responsive. Through comprehensive planning and management, chief executives are able to identify problems and opportunities, determine development objectives, analyze alternate solutions, prepare implementation programs, and evaluate performance in meeting these objectives."[1] The guidelines authorize a wide range of technical and financial assistance in improving basic management capabilities, which are available to local governments with a population of less than 50,000 through their designated State agency.

B. Community Development Training Grants (*Title VIII*)

1. Federal Agency: Department of Housing and Urban Development, Office of Assistant Secretary for Community Planning and Management.

2. Objectives: To help States develop or expand programs that provide skills needed for community development to technical, professional, or subprofessional personnel.

3. Purpose and Eligibility: Assists in developing training programs for employees of State and local governments, public agencies, or private nonprofit organization with a community development responsibility, and for persons soon to be employees of such governmental or nonprofit agencies.

In North Dakota, this program was used to provide a full-time Community Development Officer for the League of North Dakota Municipalities to perform five functions:[2]

(a) Development and implementation of inservice training programs.

(b) Assessment of municipal community development needs.

(c) Gaining cooperation of public and private agencies in sponsoring inservice training programs.

(d) Communication of community development needs to State and Federal officials.

(e) Fostering intergovernmental cooperation.

C. Model Cities Supplementary Grants

1. Federal Agency: Department of Housing and Urban Development, Office of Assistant Secretary for Community Planning and Management.

2. Objectives: To provide financial and technical assistance to enable cities of all sizes to plan, develop, and carry out locally prepared and

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[1] "Title 24—Housing and Urban Development," *Federal Register*, Vol. 37, No. 4, February 4, 1972, p. 2666.

[2] Department of Housing and Urban Development. Office of Intergovernmental Relations and Planning Assistance, *Community Development Training and Urban Information Technical Assistance Programs: 100 Outstanding Programs*, Washington, 1968, p. VII–18.

scheduled comprehensive city demonstration programs containing new and imaginative proposals to rebuild and revitalize large slums and blighted areas.

3. Purpose and Eligibility: Supplemental grants may be used for administrative costs related to the implementation of an approved Model Cities program. The program is limited to 150 cities, which have already been selected.

On June 30, 1971, 151 cities had participated in the Model Cities program. Thirty-eight of these cities have populations of less than 50,000.[3] One of the objectives of the program is "to further develop the capability of local government to deal with citywide problems similar to those faced in model neighborhood areas."[4] To this end, several communities have used Model Cities funds to strengthen planning and program budgeting, information gathering, technical monitoring and program evaluation.[5]

D. University Community Service—Grants to States (Title I)

1. Federal Agency: Department of Health, Education and Welfare, Office of Education.

2. Objectives: To encourage colleges and universities to assist in the solution of community problems by strengthening those community services and continuing education programs that are designed to provide communities with problem-solving assistance.

3. Purpose and Eligibility: This program may be used for an educational program, activity or service, including a research program and a university extension or continuing education offering, designed to assist in the solution of community problems. Accredited institutions of higher education apply to the State agency for grants.

Funds from this program might be used to "deal significantly with the government problems of the small community, characterized by the lack of trained officials and employees, most of whom are part time.[6] This could be accomplished through conferences, workshops, short courses, correspondence courses, or consulting or other extension activities.

E. Intergovernmental Personnel Act (IPA)

1. Federal Agency: Civil Service Commission, Bureau of Intergovernmental Personnel Programs.

2. Objectives: To assist State and local governments to strengthen their staffs by improving their personnel administration; to strengthen the training and development of State and local government employees and officials, particularly in professional, administrative, and technical fields; to provide for the temporary assignment of personnel between the Federal government and State and local governments and institutions of higher education.

3. Purpose and Eligibility: A major, although not exclusive, purpose of IPA assistance is to support activities in general administrative, central government and core management areas such as financial

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[3] "HUD and Small Communities," *HUD Newsletter*, Vol. 22, No. 43, November 22, 1971, p. 1.

[4] U.S. Department of Housing and Urban Development. Model Cities Administration, *The Model Cities Program: Questions and Answers*, Washington, 1970, p. 3.

[5] National League of Cities and the U.S. Conference of Mayors, *The Mayor and Model Cities*, Washington, 1971, p. 23.

[6] Clayton Ringgenberg, *Local Government Training Programs, Problems and Needs in Iowa*, Iowa City, Institute of Public Affairs, University of Iowa, 1968, p. 56.

administration, ADP administration, personnel management, and management evaluation. One of the long-range aims of the program is to assist the chief executive of a State or local government to strengthen his government's capacity to plan, organize, coordinate, and administer programs of national interest. The Act contains numerous features designed to help improve the quality of the local public service: Among other things, the Act:

(a) Authorizes the U.S. Civil Service Commission to furnish technical assistance in personnel administration to State and local governments;

(b) Authorizes the Commission to make financial grants on a matching fund basis to State and general local governments, or to combinations of such governments, for personnel administration improvement, for training, and for Government Service Fellowships;

(c) Authorizes Federal agencies to admit State and local government employees and officials to agency training programs for Federal professional, administrative, or technical personnel;

(d) Authorizes intergovernmental cooperation in recruiting and examining between the Federal Government and State and local governments;

(e) Authorizes the temporary assignment of personnel between the Federal Government and State and local governments and institutions of higher education.

All local governments are eligible to participate directly in the technical assistance, intergovernmental recruiting and examining, Federal training opportunities, and personnel exchange provisions of the Act. Local governments with a population of less than fifty thousand may participate in the grant programs in several ways. Under one option, the State government includes local governments in its application, either on the basis of specific agreements with the individual local governments or on the basis of a State-wide plan including comprehensive local government coverage. General local governments, or a combination thereof, serving a population of fifty thousand or more, may receive grants directly from the Civil Service Commission if they are not covered by their State government's application. Generally, a grant to a combination of general local governments would involve an application from, and a grant award and payments to, one of the participating governments selected by the others as their agent and as the principal administrator of the grant program.

If a specific general local government is covered by a State government plan, it may be awarded another IPA grant directly only if funds are available and it has problems or needs not met by the State government plan. If a State-wide plan is in effect, a local government may receive an IPA grant directly if it has special, unique, or urgent problems which are not met by the State plan. A local government, or a combination of such governments, that serves a population of less than fifty thousand may apply independently for an IPA grant if they are (1) involved in programs or projects of national interest and (2) experiencing special problems in personnel administration or special needs in training which are related to such programs or projects.

Among other things, IPA grants may be used to assess local government short and long-term needs for professional, administrative, and technical manpower; to achieve the most effective use of professional, administrative, and technical manpower, including scientists and engineers in programs which could benefit from the application of advanced technology; and to plan for and establish intergovernmental training programs and facilities.

The Civil Service Commission will, upon request, consult with potential applicants on their needs and priorities and on effective approaches to them prior to the development of their grant applications. The Commission is also planning to publish a user's guide to the *Catalog of Federal Domestic Assistance*, which will identify all of the available Federal assistance to States and localities in the areas of personnel administration and training.

F. Economic Development—Technical Assistance

1. Federal Agency: Department of Commerce, Economic Development Administration.

2. Objectives: To solve problems of economic growth in EDA—designated geographic areas and other areas of substantial need through feasibility studies, management and operational assistance, and other studies.

3. Purpose and Eligibility: Technical assistance is used to provide information, data, and know-how in evaluating and/or shaping specific projects and programs related to economic development. It is used in economically depressed areas of the country and in similar sections of urban areas. Technical assistance may be in the form of services provided by contract, or direct grants. Assistance may be given to private nonprofit groups or municipal or county governments or entities thereof.

G. Governmental Management—Technical Assistance and Information Service

1. Federal Agency: Department of Housing and Urban Development, Community Planning and Management.

2. Objectives: To strengthen State, regional and local governments by providing technical assistance and information on organization structure, use of resources, program management and evaluation and project administration and coordination.

3. Purpose and Eligibility: Technical assistance, information and advice is available upon request from any State, regional or local governmental jurisdiction. A number of local jurisdictions have been assisted in setting up modern budget techniques.

H. Planning for Human Resources Development

1. Federal Agency: Department of Health, Education, and Welfare, Center for Community Planning.

2. Objectives: To make available to clients of the Department a single source where they may receive information and technical assistance in the areas of program coordination, joint program sponsorship, intergovernmental programs such as model cities, and other activities not covered by individual agencies of the Dept.

3. Purpose and Eligibility: Information and assistance are provided to cities, counties, and rural agencies through the HEW regional offices or by applying directly to the Center for Community Planning.

I. Community relations Service

1. Federal Agency: Department of Justice, Community Relations Service.

2. Objectives: To help communities and groups cope with disputes, disagreements, and difficulties arising from racial discrimination or inequities and help them achieve peaceful progress toward justice and equal opportunity for all citizens.

3. Purpose and Eligibility: CRS uses its staff to persuade and encourage local citizens and institutions to take the initiative in solving their own problems. Advisory services and counseling are available to assist in developing programs and projects and in directing available public and private resources to the minority community.

J. Specialized or Technical Services to State and Local Governments

1. Federal Agency: All Federal departments and agencies may participate in this program.

2. Objectives: To encourage intergovernmental cooperation in the conduct of specialized or technical services and provisions of facilities essential to the administration of State or local governmental activities.

3. Purpose and Eligibility: Title III of the Intergovernmental Cooperation Act of 1968 authorizes the head of any Federal agency to provide specialized or technical services, on request to any local unit of government. These services include statistical and other studies and compilations, development projects, technical tests and evaluations, technical information, training activities, surveys, reports, documents, and any other similar service functions which any Federal agency is especially equipped and authorized by law to perform.

K. Mobile Employment Services to Smaller Communities and Rural Areas

1. Federal Agency: Department of Labor, Manpower Administration. U.S. Training and Employment Service.

2. Objective: To attract industry to locate in small towns and rural areas.

3. Purposes and Eligibility: This program is operated by State employment services. To help the community attract new industry to an area, the mobile team compiles and publishes a comprehensive manpower resource report on each area served, profiling its available and potential skills, detailed information on the area's economy and its institutional components. The team assists communities to recognize and overcome existing economic imbalances and employment problems by encouraging coordinated local planning efforts which determine the need for training and retraining programs and projects possible under Federal, State, and local legislation.

L. Planning Aids of the Soil Conservation Service

1. Federal Agency: Department of Agriculture. Soil Conservation Service.

2. Objective: Plans and carries out a national program of soil and water conservation through conservation districts; helps communities solve resource problems that hamper their growth.

3. Purposes and Eligibility: Local Soil and Water Conservation Districts provide technical aid to local governments to improve con-

servation and land use on farms and other individual land holdings and to support communitywide planning and development.

M. Community Extension Service

1. Federal Agency: Department of Agriculture. Extension Service.

2. Objectives: To promote community development programs in rural and small town areas.

3. Purpose and Eligibility: Grants are made available to designated land-grant colleges in the State. The services of the land-grant colleges are available to citizens, voluntary groups and public policy-making bodies. Generally these programs include training, research, and extension services which disseminate research findings and analysis pertinent to community development. Ohio State University organized 10 seminars on State and local finance and taxation, which were attended by more than 600 community leaders from 27 counties. The Extension Service used the full resources of the University to provide the participants, which included elected city and township officials, with the latest findings in the area of public finance.

N. State Rural Development Committees

1. Federal Agency: Department of Agriculture.

2. Objectives: To establish liaison with the executive officers of the State government and other appropriate organizations; to work closely with State and local people in support of comprehensive planning and development.

3. Purpose and Eligibility: Each State Committee includes representatives from the Forest Service, Soil Conservation Service, Farmers Home Administration, Rural Electrification Administration, the State Cooperative Extension Service and the Economic Research Service. In addition to these agencies, the State Committee may include representatives from State Government, other Federal agencies, universities, and other organizations active in rural development. Forty-one States have organized area or district Rural Development Committees or county Committees, or both area and county Committees in addition to the State Committees.

The State Committees are designed to focus the attention of the participating agencies on the problems of rural development, and to bring to bear their technical and program capabilities in solving the problems of rural areas.

II. STATE GOVERNMENT

A. Community Affairs

1. Agency: State Offices for Community Affairs.

2. Objectives: To bring the full knowledge and resources of State agencies and those of appropriate Federal agencies to bear on the problems of local governments within the State.

3. Purpose and Eligibility: The State Departments of Community Affairs offer a wide range of services to all local governments within the State. Most of the Departments offer some or all of the following programs:

(a) Assist local governments in their relationship with State departments.

(b) Distribute information to local governments on the Federal and State aid programs available to them.

(c) Do research on problems of local government.

(d) Assist local governments in requests for services or answering complaints.

(e) Assure coordination of Federal and State aid programs.

(f) Provide technical assistance to local governments.

The value of State Departments of Community Affairs to small local governments is demonstrated by the Texas Communities Tomorrow program, which is operated by the Division of State-Local Relations. The proposals for this program would provide a variety of services to small communities:

(a) Technical assistance: Primary State agencies would appoint a representative to serve on a small community liaison committee, so that the programs and services of the various departments and agencies may be brought together for a coordinated attack on small town problems.

(b) Outreach programs: Through a series of one-day action meetings, a variety of Federal and State specialists would be brought into each of the 21 planning regions. The goal of these meetings is to suggest the means by which small communities themselves may determine what needs to be done, and to specify the services and help available from State and Federal agencies.

(c) Information Services: A newsletter listing educational and training opportunities for local government officials and employees and catalogs of State and Federal programs would be published.

(d) Goals-setting: A community objectives program with suggested guidelines would be developed for use by a small community in determining for itself what it wants to do.

(e) Training: Training programs would be developed for local government personnel and community leaders. These programs would include techniques of municipal government and budgeting for small cities.[7]

B. Industrial Development

1. Agency: State Industrial Development.

2. Objectives: To improve economic conditions in the State by encouraging industrial expansion and community development.

3. Purpose and Eligibility: All local governments are eligible for technical assistance and advice on industrial development programs.

III. UNIVERSITIES

A. Bureaus of Government Research

1. Agency: The Urban Institute, in its 1969 *Directory of University Urban Research Centers*, lists close to 200 research centers in universities across the Nation.[8]

2. Objectives: To provide their constituents with research and training services relevant to their needs.

3. Purpose and Eligibility: All local governments are eligible to receive the services provided by the University Bureaus. These usually

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[7] Fritz Lanham, "Texas Communities Tomorrow: State Offers Small Town, City Aid," *Texas Town and City*, Vol. LVI, No. 11, November 1969, pp. 12–14.

[8] The Urban Institute, *A Directory of University Urban Research Centers*, Washington, 1969, p. 5.

include responses to inquiries, preparation of manuals and other management aids, and training programs.

The Bureau of Community Planning at the University of Illinois is an example of the potential assistance of Bureaus of Government Research to small local governments. Its constituency is defined as: "Countless small units of government [who] are confronted with genuine urban problems—problems of planning, finances, relations with state and federal agencies, and so forth. These governments collectively affect millions of people, but individually they are too small to afford full-time professional staff to deal with their problems." [9] In a typical program, the Bureau developed a test and gave it to administrators in one country, who were convinced by the scores that they needed to know much more about modern governing techniques, and local social and economic conditions. As a result of the test, a continuing relationship began to develop between these officials and the Bureau.

(See also: Community Development Training Grants; University Community Service; Community Extension Service.)

IV. OTHER ORGANIZATIONS

A. Modernization of Local and State Government Program

1. Agency: U.S. Chamber of Commerce. Program Development or Federation Development.

2. Objective: To utilize the skills and knowledge of management techniques of local Chambers of Commerce and their members across the country in programs aimed at modernizing local government structure and operations.

3. Purpose and Eligibility: Local Chambers of Commerce may apply to the national office for technical assistance and information for various projects. The Chamber has prepared a brochure, *Modernizing Local Government*, which is available on request.

B. New County, U.S.A.

1. Agency: National Association of Counties, New County Center, and State Associations of Counties.

2. Objective: To streamline, strengthen, mobilize, and improve county government.

3. Purpose and Eligibility: County officials, community leaders, and others may obtain information and advice on county modernization procedures. A series of modernization institutes is designed to (1) review "on-site" various modernization efforts; (2) explore the factors which lead to success; (3) evaluate the impact of the modernization reorganization; (4) prepare and publish case histories, analyses, and evaluation material.

C. Preservation and Development of Small Towns

1. Agency: Small Towns Institute, PO. Box 157, Ellensburg, Washington, 98926.

2. Objective: To encourage a balance between small and large communities by making small communities better places to live.

3. Purpose and Eligibility: The Institute provides research, information and advisory services on request to its members and to others

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[9] *Ibid.*, pp. 14–15.

who are concerned with the future of small towns. Publishes a monthly newsletter, *Small Towns*, which provides up-to-date information on developments of interest to small town leaders.

The Institute, with its specific focus on the problems of small towns, provides a clearinghouse for determining the problems of these governments and sharing possible solutions.

D. Management Information Services

1. Agency: International City Management Association.

2. Objectives: To aid in the improvement of municipal administration.

3. Purpose and Eligibility: ICMA provides a variety of services designed to fill the information needs of municipal officials in cities of all sizes. Its *Management Information Service* includes an edition dealing specifically with the problems of small cities. The series includes reports on "Fire Departments for Small Municipalities," "Health Services in Small Cities," and "Industry and the Small City". Other ICMA reports of interest to small cities include: *Management Practices for Smaller Cities*, a basic management guide; "Economics of Small Cities," *Urban Data Service*, Vol. 1, No. 11, November 1969; "Small City Data," in *Municipal Year Book*, 1971.

E. Municipal Law

1. Agency: National Institute of Municipal Law Officers.

2. Objectives: To assure access to information on municipal legal problems to municipalities of all sizes.

3. Purpose and Eligibility: Serves as a clearinghouse for municipal legal information. Member municipalities participate through their chief legal officer. Among other services, NIMLO answers inquiries, publishes model municipal ordinances and statutes, and assists member municipalities on Federal-city matters.

F. Municipal Associations

1. Agency: State Municipal leagues.

2. Objectives: To improve municipal government and administration through conferences, correspondence and publications and by influencing the course of State action affecting cities.

3. Purpose and Eligibility: All municipal governments are eligible to join State municipal leagues. Typically, the leagues provide informational or technical services directly to member cities through inquiry services, field trips, conferences and annual meetings.

PROPOSALS FOR EXTENDING HIGHER EDUCATION RESOURCES INTO THE COUNTRYSIDE

Small Colleges and Universities

ST. JOHN'S UNIVERSITY,
CENTER FOR THE STUDY OF LOCAL GOVERNMENT,
Collegeville, Minn., June 7, 1971.

Messrs. GILTMIER and THORNTON,
U.S. Senate Subcommittee on Rural Development,
Old Senate Office Building,
Washington, D.C.

GENTLEMEN: It was good of you to spend so much time with us last week when we visited Washington. Jim Olila tells me that he chatted with you following our departure and that you asked me to respond to the question of what "potential" centers like our's might have in helping to develop the countryside.

Let me make the following, sometimes unrelated, points to you about the prerequisites for countryside rehabilitation. They reflect not only our own research and thought on the problem as academics, but also the impressions I gained through fourteen years as a local government official working on community improvements and moving about the state as a state official (Minnesota Municipal Commission) and as the president of both the Mayor's Association of Minnesota and the League of Minnesota Municipalities.

(1) Revival of the countryside cannot be discussed except in terms of healthy small cities to provide a support base for services and job creation. This has ramifications for state legislation that bears on such things as home rule, proper distribution of state aids, etc. States have not developed a model with which to evaluate all the factors that would enter into a decision that the countryside ought to be used more than it is in terms both of economic development and of population decentralization.

(2) Most urbanologists have been pessimistic about the countryside possibilities because they have tended to interpolate past trend lines rather than modifying them to account for new and novel data. The evaluation of new developments requires a "feel" of a situation, almost an intuition, that the statisticians may not, usually do not, have. A good part of the study of the urban-rural problem has been done by urban-based institutions which may perhaps be overly impressed with the "feel" of the city. When one has some discretion in "weighing" defensible alternative possibilities of growth, then subtle biases become important.

For instance, most urbanologists in analyzing the census data ignore the fact that except for the displacement of farmers, a technologically caused down trend, non-farm countryside population growth, percentagewise, might well equal or exceed the average of metropolitan growth.

(3) Smaller, outstate colleges, have been handicapped in utilizing their resources for their own communities. They lack the power to command outside resources as does a large state university. In dealing with NSF grants, for instance, the sometimes esoteric demands for super sophisticated methodologies rules out the staffs of such colleges because they may lack a "track" record in the area in which they propose to do research. Large institutions can specialize in project writing, or "grantsmanship". "Podunk college" is handicapped from the start in seeking funding because it is assumed that smaller colleges are not alert, do not have as competent people as the large universities. For them it takes something special to attract attention from many funding agencies who can only be considered covertly supercilious towards such institutions.

Yet such colleges have their feet in the community and have a good potential for acceptance by local decision-makers.

(4) The Center for the Study of Local Government has grown from basically a one man operation (myself) to a staff of fourteen full timers and seventeen student research assistants and handymen. Since we are not funded by the college budget, we are, in effect, as dependent as a commercial firm on outside grants and contracts. And in this business we are (as will be almost any small college research and community service effort) competing with subsidized university extension operations where salaries of personnel are paid by the college budget.

We compete with these staffs for foundation grants and government contracts to stay alive—and many agencies are, as pointed out above, fundamentally suspicious that small colleges cannot produce. Yet small colleges can do everything that can be done at Berkeley if given sufficient resources. For instance, St. John's hires the best expertise that money can buy to consult with us on methodologies in new projects. If we need sophishticated equipment we hire it or take the work to the University of Minnesota. Hence, in our experience we have found that quality can be achieved with a low profile staff by building in socio-technical backup at critical points of our activities.

The Center has acted much like the centers under the present "urban observatory" program funded by HUD. Our Center has a more expanded function since in addition to evaluating cities we have also taken on several other functions that are designed to provide data for ultimately improving the context within which the small cities exist.

(1) *Rural Crime and Justice Institute.*—Designed to gather data on nonmetropolitan criminal justice systems; to provide resources for public information purposes; and to administer research dealing with criminal justice. At present we are skewed towards juvenile problems trying to develop strategies of diverting juveniles from the existing system in the hopes of alleviating some of the undesirable by products now experienced. This is financed with $104,000 grant through the State Crime Commission which we match with another $40,000 in cash and in kind contributions. This will become a problem for us in future years—digging up the match. The "match" problem is a mounting one for almost *all* colleges today because they are hard pressed financially. The end result is that a few well-headed colleges will be in a position to support federal and state programs because they have the match or else are relatively unscrupulous in what *kind* of match they use to meet Federal requirements.

(2) *Community Action Council Program.*—We are pursuing this with financial assistance of some $19,000 from the Governor's office. The program is designed to organize communities (in our 25 county area) to examine the total environment for young people in an effort to better utilize community resources through cooperation in reducing the incidence of drug and alcohol abuse.

(3) *The Regional Crime Commission.*—Staffing project wherein we contract to act as the administrative arm of the Region "D" Crime Commission—15 counties. Normally, such local commissions employ a retired policeman to act as their executive secretary rather than a college staff. We provide the effort of a multi-disciplinary staff to help write projects for local governmental units and represent the region at the state level. Program runs about $25,000 per annum.

(4) *College Skills Inventory Project.*—In which we annually (until the funds run out next year) inventory and computerize the availability of college teachers to do research or otherwise offer social skills to communities that may have need of them. If a request comes in for a specific skill we can find the person possessing it and put the college man in contact with the second party which needs his talents. In conjunction with this project we have been actively serving as a catalyst to promote college community service centers and enocurage colleges to skew their student research towards local problems rather than others that are more esoteric in nature. We have, for instance, given $10,000 to Mankato State College to skew graduate research towards community needs; $2,000 to U. of M. at Morris to do same; and individual grants to college professors at other colleges.

We have in the course of time developed fine lines of communication between various colleges in Minnesota and the groundwork is set for fairly large cooperative research projects amongst some Minnesota colleges. We completed one such research project already with Concordia College of Moorhead and Bemidji State College of Bemidji. We also sponsored a workshop for college deans and presidents to convert the top "brass" to the possibilities of getting involved in community service and research. The Hill Foundation provided $60,000 for a three year trial run.

(5) The "*Micropolis in Transition*" *Project.*—In which the trials and tribulations of one micro city are recorded in book form—much like the Middletown study by the Lynns in the twenties. It is designed to fill a lacuna in the field of local *small* governments and to draw attention (hopefully) nationally to their role in countryside development. Ford foundation financed. Publication by July 1, 1971.

(6) *Small Community Analysis and Action Project.*—An experimental attempt to look at alternatives for developing college-community linkages. Center staff will work cooperatively with formal and informal leadership in three communities under 13,000 in identifying perceived community priorities. We will then try to stimulate action by the communities on the priorities by working with State Planning technicians and similar people from HUD. Reflections and insights from this experience of trying catalytically to get small communities to move towards self-improvement will be published in monographs or articles. This program is quite similar to the so-called "urban observatory" program of HUD and could be re-labeled "rurban observatories" if financed under some other program.

The thrust of our Center is "non-metropolitan" America. Though we have focused on small cities, the rural criminal justice system, and rural power plant location, we have taken some projects only peripherally related to these in order to provide sufficient income to keep our staff busy and paid.

As a strategy in bridging the college-community moat we have deliberately added to our staff professionals with governmental or political experience—on the assumption that they can communicate and establish rapport with decision makers in the counties and cities. Also, we find that they have more flexibility compared with strictly academic people whose expertise advantage is sometimes offset by the tunnel vision that sometimes accompanies expertise. The mixture is, we think, a good one providing the Center with a practical and useful approach to community organization and applied research.

We do entertain the theory that most of our 2,000 odd colleges with their reservoirs of skilled personnel are not being well used. Successfully bridging this moat will introduce a new resource to communities, particularly rural ones, in helping fill the lacuna of insufficient or nonexistent data gathering and research personnel. Our thought is that if a closer relationship could be established between the college and community, the quality of local decision-making could be greatly improved.

The appended editorial from the Rochester (MN) *Bulletin* fingers a significant problem in developing the countryside. The organized research resources today are concentrated in the large cities. In Minneapolis-St. Paul, for instance, you have the sophisticated research staff for the Metropolitan Council; the Citizens' League staff; the Hennepin Citizens' League; the two Chambers of Commerce; the suburban section of the League of Minnesota Municipalities; and the University of Minnesota. Outstate, in addition to our Center, we have only scattered and under-funded efforts made to develop solutions to the problems of the countryside—and virtually no group with global views to verbalize about those problems. As a result, outstate Minnesota has only a dim perception of its problems and can rally very little analytical focus on how proposed state legislation will affect the outstate area. As a former Mayor I can testify this is a very substantial obstacle in getting attention paid to the countryside since we find it difficult to present conclusive and well documented argumentation for more attention to outstate problems. The reapportionment of Minnesota will shift political strength to the Twin City area and further exacerbate the problem since benefits usually follow political power.

If our Center were declared a "rurban" observatory and funded for several years with $300,000 or so, much of which could be utilized as leverage in getting other funds, we might help generate other Centers in countryside colleges. Over a period of years (and through interlocking communication) these colleges could skillfully verbalize and document the case for countryside development and population redistribution together with all the implications such a public policy objective has for *state* legislation. Or, putting it another way, WHO is going to be made responsible for developing a "model" for a program to develop the countryside in *each* state since variables will make the specific picture different from state to state? We could launch right into this program because we already have the contacts, the personnel, the organizational know how and a background.

We will face a funding stringency next year that will certainly, or almost certainly force us to curtail our operation and at the worst dissolve it. If you would have any suggestions that could ease my acute anxiety as to how this Center can be permanentized as a familiar part of the countryside scenery I would certainly be appreciative. My own position is tenured with the college so I have no personal problem. But I do think it would be a substantial social waste to lose the momentum we have established over the past three years when we are really only beginning to hit our stride.

Yours very sincerely,

EDWARD L. HENRY, Ph. D., *Director.*

The Large University

DR. D. B. VARNER, PRESIDENT, UNIVERSITY OF NEBRASKA*

Beyond these broad concerns with national policy and the actions which might be appropriate for Congress, let me comment on the role of the University of Nebraska.

In a State like Nebraska, there are few programs in the university which do not have a direct or indirect involvement with rural development. The programs of the colleges of agriculture and home economics have been in the forefront historically and are today. Less well understood and certainly less will funded have been contributions from many other parts of the university. The programs of the teachers college and the colleges of engineering and agriculture, arts and sciences, and business administration have all made continuing and important contributions to the well-being of rural Nebraskans.

The professional schools—law, dentistry, and pharmacy—have each made important contributions in both direct and indirect ways. Our medical center has a major and growing commitment to improving health care in rural Nebraska. Through its newly established program in family practice, through its experimental program in health care delivery in the Broken Bow area, through the program in continuing education and residents-in-training throughout the State, and through a variety of other programs, the medical center is making invaluable contributions to health care throughout the State of Nebraska.

I should like to recommend some specific ways in which this university can make a still greater contribution in the years immediately ahead.

(1) It is imperative that we improve the strength and the quality of the agricultural experiment station and the agricultural extension service. They must be both creative and flexible. This is our best bet for keeping Nebraska farmers and ranchers efficient and competitive. There is no alternative to the development of new techniques, new varieties, new breeds, all with the view to reducing unit cost of production and providing the basis for more profitable agricultural enterprises. This is basic and any rural development program which does not have a strong emphasis in this area cannot succeed.

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*Pages 141, 142, 143 and 144—Hearing V.

(2) The college of home economics, rich in its tradition of rural people, must be given an opportunity for a renewed effort in improving family living, nutrition, and the life-style of rural Nebraska as part of this larger effort.

(3) The University of Nebraska has a major role to play in improving the quality of life in rural Nebraska through its programs in the arts. There is a natural relationship here which has never been fully realized.

On the campuses of the University of Nebraska are assembled some of the finest young artists in this part of the country. They perform well and they are eager for audiences. Yet, in altogether too few instances has it been possible to make these special talents available to rural Nebraskans. It is my opinion that the basic philosophy of the land-grant institution carries over into the arts, certainly as well as into agriculture, and that we have not only the opportunity but the obligation to move forward with more imagination and vigor.

Unhappily, the principal constraint has been financial. A recent experience illustrates my point. The National Endowment for the Arts, through a grant to the Nebraska Arts Council, has underwritten a tour of the University of Nebraska Repertory Theater. The theater's extraordinarily good production of "Macbeth" played in several of our smaller communities, and I am told that in Cozad, Nebr., with a population of 3,184, the audience for "Macbeth" for a single performance approached 1,000 people.

If this example could be multiplied, as indeed it can with adequate support, then the university has a great contribution to make in enriching the quality of life throughout rural Nebraska.

(4) I should point out again that programs in the college of engineering and architecture, in teachers college, in the school of social work, in the fields of chemistry, geography, dentistry, law, computer science, and other areas the university possesses built-in resources which could contribute significantly to Nebraska's rural development if a national policy were clearly and positively enunciated and if the resources were made available.

(5) Rural development must have, as part of its thrust, improved health care services. The current efforts of our medical center are encouraging: the potential is unlimited. But we need a positive direction and we need adequate funding. We can and will, if given the resources, provide leadership in the development of a program of health care which is so vital to rural development in Nebraska and other States.

(6) I have reserved for special reference the leadership potential of the College of Business Administration in any such program. It is my judgment that the College of Business Administration should be an equal partner with the Colleges of Agriculture and Home Economics in any new thrust in rural development. Strengthening existing businesses and the creation of new job opportunities are keystones to such a program, and it is in these areas that the College of Business Administration has much to offer.

It has the resources for business research, for marketing studies and for research in transportation systems and problems. It has expertise in the areas of taxation, finance, personnel management, systems analysis and most of the other fields which are of great and growing concern to modern business. There has not been enough emphasis on the potential in the College of Business Administration in the land-grant institutions in support of rural development.

Finally, I recommend that the Congress authorize and fund the establishment of a system of institutes for rural development in the land-grant universities and charge these institutes with the responsibility of marshaling the resources of the entire institution in an effort to bring to reality the concept of rural development.

I propose that we borrow from our experience with the agricultural experiment station-extension service model and apply this concept to the entire university. I can visualize such an institute, properly staffed and funded, drawing together the full capabilities of the entire university in directing these resources to developing rural Nebraska and rural America.

This institute could create a variety of independent and coordinated research projects dealing with all the problems involved in rural development. Utilizing talents both on and off campus, the research could deal with competitive advantages, labor supply, techniques of production, marketing, finance, industrial design and many other facets of the problem.

Beyond the research function, I would propose that we borrow again from the Agricultural Extension Service and establish a highly selected and highly qualified corps of area business and industrial specialists who would be: (1) highly trained in the technical aspects of economic development; (2) competent to identify and interpret national trends which might open the door for increased opportunity in the rural areas; (3) actively involved in the local communities and with local people; (4) able to pinpoint regional strengths and weaknesses in such a manner as to assist rural communities in presenting their most attractive side to prospective investors; and (5) conversant with specific ways in which rural communities could strengthen their competitive position in the race for increased employment opportunities.

As members of the university's staff, these specialists would not be engaged in the traditional promotion work as undertaken by the chambers of commerce. Rather, they would be involved in the systematic analysis of community strengths and weaknesses, with special emphasis on ways in which rural communities could best improve their economic lot.

One prerequisite for employment as such an adviser would be an expressed commitment to the economic and social betterment of rural Nebraska and rural America. The advisers would hold an advanced degree, with principal strengths in economics and management; they would carry rank in the College of Business Administration; they would be perceptive individuals with the ability to draw upon existing resources of the State.

Such a corps of specialists would draw upon the combined resources of the university, the State Department of economic development, the Federal Government, and the local communities. All would be equal partners in the drive for greater economic stability in rural areas.

The land-grant universities have the ability to perform this function. They have the tradition of service to their communities. They have the strength, creativity, and potential. What they do not have are the financial resources to develop and to implement a program of this kind.

It is my hope that the Congress will move with a program of positive action in defining the objectives of the program in rural development, that a statement of clear national policy be enunciated without delay, that a long-range commitment of the necessary resources be made to implement this policy, and that the land-grant institutions of this country, so long an integral part of the economic, social, and cultural development of America, be given an opportunity to assume a role of leadership.

I can assure you that the University of Nebraska is eager to become a partner in the enterprise.

The Black University

STATEMENT OF DR. LUTHER H. FOSTER, PRESIDENT, TUSKEGEE INSTITUTE, TUSKEGEE INSTITUTE, ALA.*

Agriculture.—We observe from analyses made 20 years ago in a conference at Tuskegee Institute on "The Changing Status of the Negro in Southern Agriculture," and subsequent studies that there has been a policy of land use that may be described as progressive sterility—more unused land and more unemployed people. We recommend:

1. Present implicit but nevertheless operational land-use policy should be reexamined in terms of land for living space for people rather than opportunities for resources exploitation.

2. Money now poured into antiproduction programs—both subsidy payments and welfare payments—may be redirected to stimulate the productive involvement of people.

3. Successful and systematic agricultural research which has led the way to modern agriculture should now be directed toward developing better methods for proper and economical land utilization by small landowners in new and creative approaches, to rural living.

4. Improved arrangements should be made to assure success in the development of cooperative programs among small farmers such as the nearby Southeast Alabama Self-Help Association (SEASHA).

Rural housing.—Substandard housing prevails throughout the rural area. In many cases tenants live in houses rent-free until they are uninhabitable and then used for hay storage, or torn down. Substandard housing in the rural black belt ranges from 58 percent to 79 percent. FHA programs are now available for low-income housing, but many rural families are too poor to take advantage of these. For example, too many poor are still living in houses which are less respectable than Southern cattle barns and yet, in almost every case, the local FHA fails to spend its annual appropriation.

There is a splendid resource at institutions of higher learning which, if adequately encouraged and financed, could develop prototypes that may help to reduce the overall cost of building homes for the poor. Such experimentation would be helpful, also, in tempering some of the exploitation of poor rural families by unscrupulous entrepreneur-builders, who are often attracted to fluid situations such as rural rehabilitation.

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*Pages 638–647—Hearing III.

We recommend:

1. Greatly increased funds for guaranteed home loans.
2. Personnel to be recruited, trained, and assigned on both the State and local levels in areas of financing, house construction, and rural economics.
3. Rural housing developments to be encouraged at institutions of higher learning to the end that overall building costs of homes of the rural poor will be reduced.
4. Self-help input in house construction to be encouraged.

Health and Nutrition.—Health care facilities and personnel are in short supply throughout the area, as they are indeed—to a lesser degree—throughout the Nation. The doctor ratio in this region is 1 to 2,000—at least twice as inadequate as the national average—and some counties have essentially no hospital beds.

We strongly support:

1. *In health manpower.*—Pending Federal legislation to increase the output of "core" health professionals (physicians, et cetera) and incentives to influence a more beneficial distribution of this personnel into rural areas.

Establishment of strategically located new allied health manpower training centers.

2. *In health care delivery.*—Further development of the comprehensive health center concept as applied to the rural setting.
3. *In health research.*—Expanded research into the existing health and nutritional status of people in rural areas as a basis for effective development of needed new health care programs.

Correction of the present condition demands a balanced corrective action as the problems of the large cities and small towns are interrelated. We can no more correct one without correcting the other than we can use an insecticide which kills one pest but also kills the plant. It is obvious that if all our resources were poured into make our 12 largest cities environments of quality, more people would leave for these cities and we would soon be in a worse position than we are in now.

Nor can creation of new towns alone solve the urban problem, and it will not eliminate the rural decay. This approach, as demonstrated by development of Columbia, Md., and Reston, Va., demands unprecedented financial resources, does significantly reduce open land acreage and it places great strains upon existing transportation networks, educational systems, and other public service systems.

In our haste to find solutions to our urban crisis, we ignore our rural cities and fail to make use of this potentially rich resource. For the most part, these are places which relate to the human scale, have inhabitants interested in their preservation and growth, do not suffer insurmountable pollution problems or crime rates, and have the basic institutions upon which to grow. In the past, our towns and small cities demonstrated the ability to provide healthy, viable environments for people to grow, learn, and live full productive lives. Today these places lack work opportunities and have underdeveloped natural, human and cultural resources. The people most seriously affected by the continuing and increasing economic decline in the southern rural towns are the already economically deprived rural people, most of whom are black. When given the opportunity, these people have shown that they have the basic characteristics to become productive citizens. What they presently lack is opportunity and proper training. Obviously, development assistance to these people will economically assist all people in a community. Consequently, the communities need a comprehensive assistance program which will initiate development of their resources so that private economic development is encouraged. The city of Tuskegee demonstrates that a reversal of decaying trends can occur if community resources can be marshaled, and Tuskegee Institute has demonstrated that universities can assist needy communities.

If we are to solve our environmental problems it is essential that we have sufficient numbers of properly educated persons who will help communities become desirable environments. The first stage of the program should be aimed primarily at the undergraduate level and later expanded to the graduate level.

3. Establishment of extension service centers which would provide professional advice and financial assistance to need communities in their:

   (*a*) Planning and community design development;
   (*b*) Transportation systems analysis and planning;
   (*c*) Human resource development;
   (*d*) Natural resource development; and
   (*e*) Economic development.

As in the first case, these centers should be located at institutions which have previously demonstrated clearly their commitment, concern, and capacity to provide needed assistance.

4. Establishment of research centers at the involved institutions for the purpose of understanding and developing:

   (*a*) Techniques for promoting a healthy interrelationship between communities and cities of all sizes;
   (*b*) Interrelationships between the natural and human resources and community growth;
   (c) More effective transportation and communication systems which will encourage balanced growth of the communities and the Nation;
   (*d*) Effective, controlled use of technological development; and
   (*e*) Other factors which influence community growth and environmental quality.

Implementation of the above program could help reverse the present trends and encourage a healthy 20th and 21st century development of the Nation in much the same way that our 19th-century development was aided by the Land-Grant Act.

THREE GOVERNORS APPROACH RURAL NEEDS

STATEMENT OF HON. WILLIAM L. GUY, GOVERNOR, STATE OF NORTH DAKOTA, BISMARCK, N. DAK.*

The answer should be obvious, even without scientific documentation. One hundred million more Americans crowded into the present congested areas in this Nation will create the impossible situation of continuing deterioration of services that is already plainly seen in some of our largest cities.

The United States desperately needs a population distribution policy and I cannot emphasize that too strongly, the United States desperately needs a population distribution policy that could guide both the private economic sector and the levels of government.

This policy should state that it is possible to maintain and even increase the quality of life for all Americans if we distribute the opportunities, and hence jobs, and hence people over a wide geographic area of our country.

The planning of our private sector of the economy should be voluntarily directed toward the following of such a policy.

Whether you call the policy one of voluntary population distribution, or opportunity distribution, or rural-urban balance would not matter so long as the principle is applied.

But most important, perhaps, is the need for our Federal Government to be pursuing a goal of population distribution. The Federal Government at present, through its myriad of unorganized, inadvertent programs is the greatest factor in this Nation's maldistribution and shift of population. I want to emphasize that as strongly as I can. The Federal Government, at the present, through its myriad of unorganized, inadvertent programs, is the greatest factor in this Nation's maldistribution and shift of population.

It does not need to be that way. This is not a natural phenomenon like the rising of the sun. It is manmade.

A brief example of government policy become the root cause of population shift could begin with Defense Department higher-education grants. A university research department build up in a specific discipline by research grants causes a brain drain in that field to the university. This brain drain sets up a situation which perpetuates large Federal educational grants to the university.

Defense industries expand and locate near the institution of higher education which has a Government-stimulated research expertise. These defense industries then set in motion a skilled worker drain.

The primary defense industries, of course, then generate satellite industries and services industries which further cause a shift or an inflow of people.

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*Pages 39–46—Hearing II.

This rapidly growing complex, triggered by Defense Department grants and contracts, now requires increased educational and medical facilities.

Federal Government programs are implemented to provide more primary and secondary school classrooms and junior college facilities. Hill-Burton funds are made available to build hospitals and clinics. These new additions cause educators and health professionals to shift from other areas to this new area of demand.

This process is even carried out in the field of recreation and cultural advantages to include Federal programs to assist in recreational facility development, art galleries, drama theatres, and the like. This in turn causes people to gravitate to this area who are skilled in recreational direction and teaching, and participation in the arts.

This wrenching and tearing was provoked by the Federal defense effort and fed by other Federal programs. Problems were created in underpopulated areas by causing people to be attracted out in an attempt to fill the manpower needs of Federal programs designed to alleviate problems in over-populated areas already overcrowded by other federally induced population shifts.

I believe quality of life can be enhanced for all Americans by Government programs following a single national policy of distribution of opportunity and population.

For example, the Department of Defense must be made conscious of the vast power it has in shifting population by actions it takes through such programs as it's educational grants and defense procurement contracts. The same is true of other Federal grants and projects, of course.

We might take the pressure off both the congested areas and the underpopulated areas of our country by considering some programs in an integrated plan under a national population distribution policy. I would suggest consideration of the following:

1. A complete overhaul of the Interstate Commerce Commission and its archaic freight rate determining mechanism in order that areas which are now denied adequate transportation rates and service can be made economicaly competitive with other areas now enjoying economic advantage.

2. A national plan of water resource protection, preservation, and development so that water resources would remain available in underpopulated areas rather than diverted to already congested areas for further population growth.

3. Incentive programs to encourage small industry to expand to areas designated by the Federal Government as underpopulated through devices such as these: (*a*) Federal tax incentives; (*b*) Federal Small Business Administration loans with subsidized interest rates; and (*c*) manpower training programs to assure a supply of trained labor.

4. Placement of major Federal installations in areas of underpopulation.

5. Major Federal research grants to colleges and universities located in those States or areas which can gracefully absorb a larger population.

6. Federal procurement contract preference to industries which are small and which might be located in an area in which greater population growth is being encouraged.

7. An agricultural price support and farm credit program that would be adequate to make it possible for farmers to continue as producers on individual units rather than the present trend toward large-scale corporation farming.

There are proposals that our Nation's population growth can be absorbed by new model cities started from scratch. This is certainly part of the solution and a good one, but does it go far enough?

If each State were to build a new model city to serve 250,000 people by the end of this century, we would have accommodated 12.5 million people in those model cities and there would still be 88 million more Americans asking where they were expected to live. It is necessary to provide job opportunities as well as residences.

There are those who say that certain cities should be designated as growth centers and that those growth centers should be cities which have at present 50,000 people or more. I cannot agree.

I believe every city and village in rural America, no matter what its size, has a potential to be a growth center. No matter what size we find a city in America today, it was once a tiny village.

I emphasize that some villages and cities have certain advantages from the standpoint of geographic location, water resources and so forth but under no circumstances could I support a program that would recognize only certain sized towns and cities as potential growth centers.

Governor GUY. In 1966 I introduced the first resolution to the National Governors' Conference calling for a national policy on population distribution. That resolution submitted to the Regulations Committee was laughed out of the committee. So I took it to the floor of the conference and after a very lively and long debate, it was passed unanimously by all the Governors.

I have submitted those resolutions each year since and they have passed unanimously.

The Governors of this country realize and call out for a national population distribution policy.

Secretary Freeman was one of our first exponents, that I am aware of, to point to the need for what he called rural-urban balance. I give him credit for pioneering in that field.

I visited some of the countries that you have mentioned. The Japanese Governors visited America in 1968. As chairman of the National Governors Conference in that year it was my privilege to host them in Des Moines. We asked the Japanese Governors what subject they would like to take up in joint conference. The subject that they asked to discuss was what is America doing about mal-distribution of population, and we had to admit that America is doing nothing.

King Olaf of Norway visited the upper Midwest in 1969. In an offhand remark he said one of Norway's biggest problems is the shift of population from the countryside to the cities, and we are not prepared to handle it.

In 1970, a delegation of Nigerian students visited my office. They asked me what I thought was the greatest problem in America and I said population distribution. I said you in the underdeveloped countries don't have that problem, and they burst out laughing. They said that is one of their major problems of people coming in from the countryside totally incapable of employment, but congesting the urban areas.

Senator Curtis asked a question about planning and I want to make this statement as forcefully as I can:

The U.S. Federal Government is the only level of government in our Federal system that studiously avoids comprehensive planning. States and local governments are way ahead. If you go down to the State office building right here a block from the White House, the comprehensive plan for Washington, D.C., is on display; and yet we have not come to the realization that we need a comprehensive plan for the United States of America.

It is very difficult for State and local government to mesh their planning with Federal policy that does not exist in a comprehensive Federal plan.

I might site one example:

Railpax is a popular subject of thought and conversation and yet Railpax today is set up to furnish transportation from one congested area to the other.

Senator **Humphrey**. Governor——

Governor **Guy**. It totally misses the point, that we must develop other areas of this Nation and it requires transportation to do it.

Senator **Humphrey**. In fact, I am pleased that you have noted Railpax. I was going to ask something about that, because Railpax not only affords a means of transportation from one congested area to another but it runs totally contrary to declared national policy, public law, in the Agricultural Act of 1970.

The Agricultural Act of 1970 is just as much a law as the NATO Treaty and we are always being reminded of our foreign commitments. We have some domestic commitments and the law of title IX of the Agricultural Act of 1970 says the peace, the prosperity, and the well-being—I have forgotten the exact words—of this Nation depend upon a better distribution of population, and the availability of opportunities, et cetera, in our rural areas as well as our urban areas.

Now, the Railpax operation is an open defiance, open violation, of this law, but it was conceived because there is no national plan.

I am so glad to hear what you have said. We are afraid to talk about national planning. We have a State plan in Minnesota, as you know. We have a State planning board. I know you have State planning in your State. The 50 States with few exceptions, I suppose, have some form of State planning and most all cities have a city planning commission.

The planning agency of the Federal Government that is supposed to have a passion for anonymity is known as the Bureau of the Budget. There has never been any relationship between what any department of the Federal Government is doing and what you want to do in N. Dak. The Bureau of the Budget was conceived in secrecy and presented to the Congress of the United States as if it was the Immaculate Conception.

Governor **Guy**. Mr. Chairman, if I can observe, this is the day of the computer where we can store a fantastic amount of useful information, and yet the Federal Government has so fragmented this valuable tool that it is almost unusable in total planning.

Senator **Humphrey**. In my judgment the most important Cabinet level department should be the Department of National Planning with a Division of the Bureau of the Budget and a Division of Executive Management in it. I have advocated that for several years, but I can't seem to get anybody to realize what it is like to be in a State trying to deal with a Federal Government that doesn't know where it is going.

The Federal Government makes General Motors look like it is a peanut stand when it comes to purchases and business contracts. By the sheer impact of contracts and location of facilities, you can change the population pattern in this country; no doubt about it. And, by the way, I want the staff to take a look at the Committee on Government Operations of some years ago when I was there as chairman of the Subcommittee on Research and Reorganization.

We did a study on the allocation of Government grants for research and development.

For example, I had the president of the University of California in. We found that they had 30—or 25, I guess, Nobel Prize winners and when I was complaining that there were not enough Government grants going into North Dakota for research, or South Dakota—we were doing quite well at the University of Minnesota since it is a big university—but in some of the smaller communities and smaller colleges the answer was, well, you don't have any Nobel Prize winners. I said, well, how many did California have before you put in the first Federal money? The rich get richer, the poor get poorer. They had one. And after they put in about another $100 million they got five. Then you get five and you get six and then you put in another $100 million and you get 12; and 60 percent of the entire budget of the University of California was Federal grants, 60 percent.

Hon. Hubert H. Humphrey,
Chairman, Rural Development Subcommittee,
U.S. Senate, Washington, D.C.

Dear Senator Humphrey: Thank you for your letter of April 30 regarding the activities of your Rural Development Subcommittee.

I am enclosing a copy of my statement before the President's Rural Affairs Council which outlines my views on rural development and which covers the questions you have asked. I hope this is of assistance to you.

Very truly yours,

Richard B. Ogilvie, *Governor.*

(The statement is as follows:)

Statement by Hon. Richard B. Ogilvie, Governor, State of Illinois

(Before the President's Rural Affairs Council)

As host Governor for this working session, I welcome you to Illinois. I am very pleased you have chosen to come out to the "grass roots," so to speak, to discuss what is happening in our rural areas. Your presence lends credibility to the President's "New Federalism" program—a program which, in the President's words, channels "power, funds, and authority . . . to those governments that are closest to the people."

It is also fitting that you have chosen Illinois for this meeting. We are a distinct State in that not only are we a leading industrial state but our economy is heavily dependent upon agriculture. We are the transportation center of the country. We have become the leading export state, exporting one out of every four acres farmed in Illinois. But we recognize that the full resources of all levels of government must be brought to bear on the problem facing all of us—population maldistribution.

What is happening can be boiled down to these basic terms.

The mainstreams of our economy and society are converging at an increasing rate to form giant metropolitan concentrations. This has two results. One—the loss of population and the de-activation of the small town and the countryside—what might be called rural America. The other consequence is the proliferation and magnification of a whole host of adjustment problems in and around our central cities—often called the "urban crisis," for lack of a more precise definition.

We have experienced the most massive migration the world has ever known—the movement of people from country to city. The implications are staggering. It is important to our national welfare that we analyze very carefully the consequences of a blind pursuit of an unbalanced urban sprawl.

But I am not here to recite to you the basic problem we all face. You are only too familiar with what has occurred. I would like to indicate what steps we in Illinois have already taken in the development of a rural strategy. In the process I will indicate problem areas which confront us, including those with the federal government. Finally, I will chart our proposed course of action. My staff will file with you a more comprehensive statement which details our programs in the near future.

Basically we have determined that the most promising strategy to promote the development of our rural areas is to bring the advantages and opportunities of urban life to our non-metropolitan areas. Of course for a long time we have been doing the opposite—encouraging the movement of people to the opportunities through migration. Now we must implement the reverse and consider how to bring *opportunity* to the *people* in our rural areas. We must carefully ascertain where population growth should occur. Obviously we cannot expect the migrational flow to reverse itself unless there is light at the end of the tunnel. There must be incentive to return to the country, incentives which relate to positive advantages rather than merely a desire to escape the problems of the central cities.

Briefly I would like to review what we have accomplished here in Illinois. I cite this record not so much out of pride—though I would admit to a measure of that—but as to demonstrate what can be done in a large, industrial state which is still heavily dependent on a flourishing agricultural economy.

We have embarked on a road program of unprecedented magnitude, concentrating especially on road improvement as well as new construction in our rural-oriented downstate communities. People will not return to the country or even stay there unless adequate surface transportation is provided.

We are not, however, neglecting other forms of transportation. We are planning a major upgrading of airports which serve many of our moderate-sized rural communities. I am convinced that a major allocation of state resources toward airport improvements will have a tremendous economic impact upon large rural areas.

In the field of education we are emphasizing, and supporting with a heavy financial investment, the development of junior colleges with significant vocational education programs. These programs will enable non-metropolitan residents to learn the job skills which will be required if we are to be successful in promoting industrial development in our rural areas. If we offer the proper incentives, I believe it is most realistic to talk in terms of industrial relocation.

Next Tuesday the citizens of this state will be asked to approve a $750 million anti-pollution bond issue authorized by our legislature. If approved, this will permit the state to pay 25 percent of all costs of improving sewage treatment in every Illinois county during the next decade. More than 500 projects have already been earmarked for funds. If approval is not obtained, these required sewage treatment projects will have to be financed with local property taxes, clearly a most undesirable alternative. Improvement of our local water and sewer facilities is by far the most pressing need facing our many small municipalities throughout the State.

We have not neglected direct financial assistance to general purpose units of local government. One-twelfth of the proceeds of our new state income tax are distributed to municipalities and counties on a per capita basis with no strings attached. For FY–71 we expect to disburse approximately $84 million under this grant program. Of this amount, $17 million will be distributed to local governments in non-metropolitan areas. These revenues already have been especially helpful to our rural communities as they have promoted a decreased reliance on local property taxes.

Several of our code departments are undertaking varied programs relating to rural development. Their directors are here with me this morning, and are available for questions and discussion.

Our Department of Agriculture has long been a leader in promoting agricultural education. We are very proud of our 4–H and FFA programs. In fact, the newly elected national President of the FFA, Mr. Dan Lehman, is from Pleasant Plains, Illinois.

The Department is working very closely with the State Rural Development Committee, chaired by Dr. Jack Claar, Director of the Extension Service at the University of Illinois. Rural development councils have been created to include all Illinois counties. They are meeting on a regular basis, and have already submitted a work plan to the state committee. The Extension Service has already re-programmed its funds to provide for five additional field specialists for a total of ten to support the local county staff.

This is an illustration of the type of cooperation and assistance which can be provided by the federal government. We are extremely pleased to work with the Extension Service so that we can make the "New Federalism" work.

Our Department of Business and Economic Development has recognized the dire need for proper land use planning throughout the State. The Department has proceeded on the assumption that we have too much fringe development and not enough rural development. In this regard we have already created a state-wide data bank to extract hundreds of bits of data about every piece of land in Illinois.

The Department has formed a State Equity Council, designed to provide capital for minority business ventures, especially outside the central city.

In 1970 the Department proceeded with an accelerated port promotion campaign under its Seaport Development Division. Expansion of our export business has greatly enhanced our agricultural economy.

We are actively promoting increased tourism, emphasizing the "New Illinois" program with very favorable results, especially benefiting Southern Illinois. For fiscal year 1971 we have appropriated $900,000 for tourism promotion, and an additional $244,000 to encourage the settlement of new industry in the State.

Four years ago our legislature created the Illinois Industrial Development Authority with an appropriation of $1 million. Its purpose is to assist in the development of new industries, again especially in Southern Illinois.

My Office of Human Resources is promoting an emphasis on human resource development in rural areas which intends to complement the more traditional rural programs centering around physical and economic development. Already they have been instrumental in effecting a good working relationship with community action agencies.

Our Department of Local Government Affairs recently has had the opportunity to coordinate a state effort in rebuilding a small downstate community almost decimated by a railroad car explosion. Even though the main street of Crescent City, Illinois, was almost blown off the map, already several of our state agencies have banded together in a coordinated effort to assist in its rebuilding. The Mayor has publicly testified that the State has provided and still is providing invaluable assistance. The point is this—we can do the job if we do it together.

I could list many other areas, but suffice it to say that Illinois is heavily committed toward promoting a better balance of resources throughout the entire State.

Before I indicate the future course of our strategies, I would like to mention some of the initiatives which should emanate from the federal level.

I am sure you appreciate the need for a coordination of federal programs affecting rural development. This cannot be done with any degree of accuracy until a national development of growth policy is established. This would involve a stimulation of a network of existing and potential growth centers throughout the nation. It is imperative that Washington develop a sense of unified purpose as well as concerted commitment of its resources.

I am pleased that President Nixon has responded so admirably by creating a Rural Affairs Council. This would appear a major step toward the development of a coherent policy on the national level.

A national policy then could be tied in with a total development program of the State. My office will be available as a coordinating mechanism for this purpose.

We would like to see a larger allocation of federal resources for water and sewer programs. The need is overwhelming. We are responding with our anti-pollution bond issue. I would hope the federal government would respond in kind.

The Farmers Home Administration has not spent sufficient sums of money for rural housing. The program requirements appear too restrictive, and hence the housing problem in rural areas remains acute.

We are already taking steps to increase the supply of low and moderate income housing. Using the vehicle of the Illinois Housing Development Authority, we have units under construction in urban areas totally financed through a state bonding mechanism.

But we are not neglecting our rural country. For example, yesterday bids were opened and bonds were sold on $4 million of low and moderate income housing in Danville, Illinois, an agricultural community. Other non-metropolitan areas are also being analyzed for a similar investment.

Perhaps you are a little surprised that we have a substantial number of on-going programs which directly relate to rural development. I do not want to leave the impression, however, that our strategy is well-defined, complete, comprehensive, and that we have an unalterable plan of attack for all problem areas. There is still much to be done, and I would like to list in the briefest fashion our future course of action as well as its underlying principles.

We are studying the feasibility of a Rural Development Cabinet as a coordinating mechanism to cut across departmental lines, with direct involvement of the Governor.

The Department of Agriculture is negotiating for approximately $864,000 from the Rural Resource Development Fund administered by the U.S. Department of Agriculture to aid many facets of rural development.

We are planning a two-day workshop on December 16 and 17 at Starved Rock on rural development, intended to improve communication among all governmental agencies as well as the private sector.

We recognize that we must change parochial attitudes embraced by some rural people. We must sell the concept of planned rural community development.

We must promote the concept of population dispersal in our rural areas.

Rural improvement will not proceed as fast as it should until more trained professional leadership exists at the local level. Our Department of Local Government Affairs has already embarked on an intern program, training qualified college students for future employment in State and local governments. The Department is also creating a Talent Bank of professionals in many functional areas which will be available upon request to the smaller and more rural oriented communities needing expert assistance.

Rural improvement will not succeed without the involvement of the private sector.

We are not in the business of making grandiose promises which cannot be delivered. While we are fortunate in having a lot of state resources, the federal government has pre-empted the tax base to the extent that states are unable to operate effectively with an inadequate financial base. The "New Federalism" requires a realistic revenue sharing program, and I again urge its immediate adoption. I would *hope* that revenue sharing could be implemented by congressional action. At the same time, I am prepared to vigorously support efforts by the state legislatures to mandate the calling of a constitutional convention to consider revenue sharing.

And we are prepared to further alter the concentration of our resources in order to promote more balanced growth.

In sum, I believe the argument for decentralization is irresistible. It would be tragic, however, if many more months and years passed before we marshal a broad public consensus toward the reordering of our national and state priorities. Nothing would change the face of America more than an orderly redistribution of our population, two-thirds of which is now jammed into less than 2% of the nation's land area.

I urge that you give credence to President Nixon's commitment to the "New Federalism" by encouraging and assisting us in every way toward the implementation of our common objectives. I assure you—we are prepared to do the job.

Governor George C. Wallace of Alabama*

I am especially pleased with the opportunity afforded by this hearing to discuss some of the problems of rural development which include maintaining the viability of our agricultural economy. In formulating policies for rural development, we must keep constantly in mind that agriculture is the No. 1 business in rural America. Agriculture in its many forms is a major generator of income of bankers, grocers, implement dealers, and many small businesses in rural communities and towns.

A strong agricultural sector, therefore, is a foundation on which total rural development must be built. With the farm parity ratio currently at 70, it is obvious that a major element of any rural revitalization policy must provide for strengthening farm income.

Alabama is a State in transition. Between 1960 and 1970 the State's population increased 5.4 percent. According to the 1970 census, Alabama's population was 58.4 percent urban and 41.6 percent rural. Accumulated evidence indicates that our rural counties are lagging behind the State and the State behind the Nation in per capita incomes. In 1960, the average per capita income was $1,489 while the U.S. average was $2,216. By 1970, per capita income in Alabama had risen to $2,828 but still trailed the U.S. average by $1,072. Per capita incomes in Alabama counties vary directly with population. The average income in the six counties with populations over 100,000 was $3,095 whereas the average was $1,608 in the 30 rural counties having populations between 10,000 and 24,999.

The generally accepted definition of economic growth hinges on rising per capita incomes. It was felt that if incomes rose sufficiently, the other components would follow suit. Recent experiences of some U.S. cities, however, indicate that this does not necessarily hold true. Therefore, we must modify our definition of economic progress to include all conditions necessary to achieve rising levels of living. We need programs that provide both monetary and nonmonetary assistance. These needs can be met through the establishment of a national policy for rural resource use and development to promote a balance of opportunity between the urban and rural sectors. There is precedent for such public policy as evidenced by the success of the Rural Electrification Administration and Farm Credit System. The contributions of this legislation to developing rural America can be witnessed throughout the length and breadth of our rural areas.

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*Pages 616–626—Hearing III.

A policy for rural resource use and development should consider the development of human, natural, and capital resources. There appear to be at least two major economic aspects involved in such a policy. First, the resources of our rural areas must be further improved and developed through investment which will strengthen the viability of local organizations and institutions. The goal is to provide a situation where resources can move freely from one area to another when productivity and returns can be increased. Herein lies the hope of revitalizing rural America.

Second, a national policy for rural resource use and development should provide for the strengthening of current programs which have a specific orientation toward rural problems and their solution. This would reduce duplication of efforts and lead to more intensive attacks on specific problems. Such unified national direction is particularly needed to provide for the future development of our rural areas.

A rural development policy must provide opportunities for those people no longer needed in agriculture to perform other productive work. In many cases existing skills and attitudes must be updated through vocational training to met these new requirements. Alabama has recently initiated a substantial State vocational training program in which local citizens are trained to specification for a definite employer. This program could well serve as a mechanism to channel additional Federal assistance in making qualified labor available to industries desiring to locate in rural areas. With the decentralization of industries in rural areas, further improvements in our system of roads and highways must receive increased attention. People will commute to nearby industries which provide income opportunities.

Our land, water, and other natural resources form the base upon which all subsequent development is built. These must be properly developed to provide present returns and to preserve environmental quality for future generations. Once agricultural or other "open space" land has been transformed into "higher" uses such as highways or urban development, the changes are generally nonreversible. Therefore, a major aspect of a national rural development policy should give direction to the wise use of our land resources for long-range maximum benefit of society. County and regional land-use plans constitute the basis for future rural development. Such plans should be used to determine appropriate location of local public investments. County and municipal governments will then have the initiative to enact appropriate resource use plans consistent with county and regional ones.

In planning, it must be recognized that all land is not suited for every type of development. Soils vary tremendously in their ability not only to support agricultural production, but also to adequately and properly support industrial plants, housing developments, shopping centers, et cetera. Land-use planning therefore must be vigorously encouraged as a part of any effort to develop specific rural areas, or, for that matter, any general plan for rural development throughout our State and Nation. Much expertise in this field is readily available and should be used.

Soils information is available in every county from the Soil Conservation Service of the U.S. Department of Agriculture through past and present efforts in the national cooperative soil survey. This information, together with aggressive and meaningful decisionmaking on land use can do much to achieve orderly development.

A national policy for rural resource use and development should also stipulate that our water resources be conserved and utilized in a manner consistent with present and future needs. Our Alabama Water Improvement Commission is a step in the right direction. If it is to properly fulfill its function, however, explicit uniform national standards must be set. This is especially significant if the water resources of our rural areas are not to suffer the same fate as the rivers, streams, and lakes in some American cities which have become so polluted that they are no longer useful. Development of rural industry, both large and small, cannot be achieved without assurance of dependable water supplies for the industry itself, as well as for domestic uses. Also, important to development are plans for needed water-based recreation facilities that complement rural development. We must take a look therefore, at our water resource base from uppermost points in our watershed areas. We have in the past failed to take this into account in too many instances and have considered our needs met when large volumes of water were stored and made available for further growth of large population centers. We must take a new look at this entire approach.

Upstream watershed developments, including consideration of all needs—both present and future—can make a major contribution in this direction. Programs currently available and in operation such as the small watershed program administered by the Soil Conservation Service, can help in this effort. There is room for expansion of this entire effort and for certain new authorities to make them even more effective. We have several examples in Alabama where rural development is being promoted and where new jobs are being created by upstream water impoundments that include water for municipal and industrial growth and expansion, as well as for recreation.

In short, what is needed is a dynamic movement in the direction of coordinated land and water resource development as a first step in planning for proper rural development in Alabama, as well as throughout the country. This also involves an input by State and local leadership in making realistic decisions and adapting programs now available to meet specific local opportunities and needs.

Improvements in technology and increased use of manufactured inputs have greatly increased the capital needs of our rural areas. This is true for farmers, homeowners, small businessmen, and developing communities as a whole. Therefore, a serious need for access to more long-term and operating capital exists. Government lending agencies active in rural areas perform a useful service by supplementing private lenders. These agencies should be strengthened. In addition, the establishment of a system of rural development banks to help small towns and cities secure long-term capital at reasonable interest rates and terms would make a major contribution to supplementing their needs. Under this system all rural communities would have fair and equal access to the capital resources so desperately needed to stimulate economic activity and to provide rural citizens with the public facilities and services which make communities attractive places to live. Urban and suburban people often take these facilities and services for granted.

In brief, a national policy for rural resource use and development would have as its long-range purpose the creation of balanced opportunities for people who choose to live in our rural communities and countryside. Such a policy would serve the two-fold purpose of helping our rural citizens become more productive members of society and easing the migration pressures and problems of our cities.

THE ISSUE IS BALANCING OPPORTUNITIES

Much of the prevailing dialog concerning rural development and reclaiming the wholesomeness of our cities has centered on population distribution. This is a paradox within itself since balanced population growth throughout America is unattainable without a balance of opportunities. This is especially true for the rural areas of Alabama and the Nation. For example, the most competitive game played by communities of our time is economic development. For many years we have witnessed the efforts of communities of all sizes to improve their economic base through business and industrial development. This seems to be a perpetual hunger—numerous approaches and public programs have been used to promote rural industry.

Communities have offered a bundle of inducements in the form of tax moratoriums, financing, facilities and host of services. Others have advertised the availability of cheap power and labor as incentives to attract new job-producing enterprises. These methods and inducements have not always produced the expected results.

To the amazement of many rural community officials and leaders, local industries considering expansion or those seeking new locations were looking for something more than a subsidy. They place high value on community services, conveniences, recreation and community pride as well as the factors directly affecting production. Consequently, the attractive communities have been those stressing strong educational, recreational, cultural, social and environmental programs and facilities. It is apparent that economic development in our rural communities is conditioned by all of these factors. It is inconsistent with economic logic to think that business and industry will be willing or can afford the investments required to provide basic supporting services. The majority of rural communities which can provide the future home for thousands of Alabamians need and must have financial and technical assistance in getting ready to assume their roles as viable communities of tomorrow.

In discussing balance opportunities, it is helpful to look at the number and size of the communities, towns, and cities in Alabama. According to the 1970 preliminary census report, Alabama has six cities with population of 50,000 and above; eight cities with populations between 25,000 and 49,999; 21 cities with populations between 10,000 and 24,999; 41 cities with populations between 5,000 and 9,999; 47 towns and cities with populations between 2,500 and 4,999; and 240 towns and cities with populations under 2,500.

While all groupings showed an average increase in population growth over 1960, the most notable increase occurred in cities in the 5,000 to 9,999 and 10,000 to 24,999 population groupings. It appears from this growth trend that people, provided opportunities exist, will live in the smaller communities. This is especially true for those communities that can yield a positive influence upon the quality of living of its citizens.

It is not reasonable to assume that all rural communities can or should be developed into trade centers with duplicating kinds of facilities and services. The increasing interdependency of communities suggests that services and facilities that can be offered by one are conditioned somewhat by those available in others. This emphasizes the importance of looking beyond a given community or county boundary in planning for the development of our rural areas. The implication is that small rural communities and those in urban fringe areas must pay closer attention to what neighboring communities are doing. Many communities in the 5,000 to 10,000 population range have existing capabilities to become viable rural growth centers and consequently influence the prosperity and quality of life of their surrounding areas. It is at this point that present national thinking must be redirected.

Some people in high echelons would direct public policy benefits primarily to cities of 50,000 population and above. However, to pursue such a policy to its logical end will only bring us to a point in time where we could be faced with the reoccurrence of existing dilemmas of population-impacted cities.

It follows that public policy and its resulting programs should reflect the unique needs and differences of urban centers as well as rural areas and communities. This is a consideration that has been solely lacking in many of the programs administered by agencies of Federal Government which have attempted to umbrella the problems of urban and rural people. Flexibility must be the principal criteria in the development and implementation of public assistance programs aimed at providing a balance of opportunities if this Nation is to experience a rebirth of its unpopulated and depressed rural communities.

Increased public policy emphasis for rural communities should be directed toward the following critical factors. More and better employment opportunities, ample and adequate housing, improved public facilities and services—sanitary water and sewage facilities, police and fire protection, streets, utilities, education and healthy delivery assistance, and recreation and cultural facilities and services. Housing can be cited as a specific example of what we are talking about. The Farmers Home Administration has performed a useful service in helping to make rural communities a beter place in which to live and work.

Since the rural housing program of the Farmers Home Administration was initiated in 1949, approximately 22,000 rural families have been financed for a total of approximately $192 million. However, more than half of the families served and money spent has been during the last 3 years after Congress provided additional funds so this agency could make a greater impact on the housing needs of Alabama and the Nation. If Congress continues to appropriate funds for the next several years as they have for the past 3 years, it will enable FHA to assist from 5,000 to 7,500 rural Alabama families each year in obtaining new homes. Given capability, the Farmers Home Administration could have a definite impact in meeting the needs for rural housing in Alabama. My recommendation is that the Farmers Home Administration housing program be provided funds and personnel to continue at an increased rate and that the Congress enact legislation to enable Farmers Home Administration to assist a builder in developing sites for houses in the rural areas.

The Farmers Home Administration community services program is another excellent example of the kind of assistance that communities must receive before they can experience economic growth and development. Since Congress authorized the program in 1961, FHA in Alabama has assisted 562 rural groups and communities with needed facilities and services. Total loans and grants have been advanced in the amount of approximately $45 million to 52,000 families. Altogether 208,000 people in Alabama have benefited from the services provided by these loans and grants. Even so, only 15 percent of the State's rural population is served by these community programs loans, and grants. Considerably more people could be served provided funds were available. Priority lists have to be established because of insufficient funds. The normal waiting period at present is about 2 years. Grant funds have been so restricted that only those communities that cannot afford a feasible system are permitted to use the minimum of grant funds to make the system feasible.

Almost every rural town or community in Alabama lacks an adequate sewage system. If sewage systems are to be provided these communities, provisions must be made for an increase in grant allotments. I fully support increased appropriations for both loan and grant funds to enable up-dating and installing new water and sewage systems where the economic impact will be significant.

The rural electric cooperatives in Alabama are also in a unique position to play a vital role in rural development. They serve 59 of the State's 67 counties which include approximately 800,000 people or roughly 23 percent of our population.

The rural electric cooperatives have played a vital role in raising the standard of living for the rural residents of Alabama. Twenty-three rural electric cooperatives are controlled by approximately 200 Alabamians as directors. Their organizational structure in itself affords an opportunity to be very sensitive to community needs and desires. In essence, they are a part of the community.

One way to aid the rural development process is to strengthen these 23 rural institutions by adequate appropriations and assistance to the Rural Electrification Administration.

Rural electric cooperatives have already offered much leadership in areas other than providing electricity. Some have been instrumental in the formation of water systems; such as, Sand Mountain Electric Cooperative, Rainesville, Ala. Others have assisted in the formation of nonprofit housing authorities to develop sites for homes to be built through the Farmers Home Administration; such as Baldwin County Electric Cooperative in Robertsdale, Ala. I single these out only to illustrate what can be done by these organizations to help revitalize our rural communities.

It is these kinds of tangible amenities which citizens of our 20th century society expect and aspire to. We can expect no great change in population location patterns until national emphasis is intensified on providing these basic human needs and desires. This is what rural development is all about. It is taking action now to create more economic opportunities and a better environment in couryside America—which will simultaneously ease the pressures on urban America and help restore the opportunities and quality of life which have been their attraction.

FACILITATING RURAL DEVELOPMENT

Mr. Chairman, it is our concern for the need of a broad national rural development policy that dominates much of my thinking as I comment on the legislation now under consideration. We support the objective of rural development around which the current revenue-sharing bill is formulated. We must reject, however, much of the content of the revenue-sharing bill because it is at odds with this objective.

We have looked for evidence that many programs which enhance development would be continued under State sponsorship, but we do not find it. We note that with the exception of the Cooperative Extension Service, no maintenance of effort on the part of the States is required on any of the programs. Indeed, to the extent that States might use some of the funds on secondary roads, hospitals in rural areas, and for meat and poultry inspection, they might be able actually to reduce expenditures of State funds for rural programs. Thus the apparent intention to enlarge rural development funding would be sabotaged, not aided. Furthermore, there is not enough "new money" in the rural revenue-sharing proposal to be significant.

We are not for continuing programs after their objectives have been realized. But some of the programs that would be phased out are increasing in significance to rural development. I refer to sewer and water grants programs, the rural environmental assistance program, and such regional programs as those under the Appalachian Regional Commission.

We are also concerned over the possibility that competition could result in reduced expenditures for rural development. Undoubtedly some public and private institutions with marginal contributions to rural development could become major competitors for funds. We recognize that it is desirable to have programs which will help rural areas attract industries. However, we believe there are better ways than taking funds from rural programs. An example cited previously would be loans from a Rural Development Bank. Another example might be use of credit on taxes for investments made in rural areas.

Our concerns are in no way diminished as we study the companion legislation to revenue sharing—the departmental reorganization proposal. Under this proposal, the U.S. Department of Agricultural would be abolished. Its functions would be spread among four new agencies. This is not the first proposal to reorganize the executive branch of government. Every President since Franklin D. Roosevelt has submitted such proposals. A central feature of such plans has generally been the raising or lowering of agencies in the hierarchial framework in order to increase or reduce their importance.

Under this proposed reorganization the agencies that now function in the U.S. Department of Agriculture would clearly be lowered as a result of the fragmentation that would occur. We presently experience frustration in conforming to requirements of the Office of Management and Budget as we try to implement and fund programs. We can only imagine the increased difficulties in directing proposals and seeking approval of four different Cabinet members prior to executive approval.

The revenue sharing and reorganization plans have much in common. Both would abolish the U.S. Department of Agriculture and diminish the farmer's voice in the executive branch of Government. This is contrary to our conviction as to the basic role of agriculture in rural development and to society's well-being.

In all probability the debate over the Administration's reorganization proposal will be a lengthy one—for a multitude of vested interests are involved. A more immediate concern is action to provide relief from the program overlaps and waste inherent in the confused structure of Federal programs having application to rural development.

Evidence of spectacular lack of coordination is coming to public attention through the various media. The sad consequence of interagency competition in providing Federal assistance to rural communities is to frequently exaggerated expenditures and inefficient delivery of resources to the ultimate beneficiaries.

The efforts of a rural community—population 5,000—in a depressed area to obtain financial assistance for improvements in its water system is a case in point. Under existing programs either the Economic Development Administration of the Commerce Department or USDA's Farmers Home Administration could respond to the community's need.

Since EDA assistance is more or less directed to projects with economic generating benefits. the community must often look elsewhere if it is to develop its total water program for both domestic and industrial use. The Farmers Home Administration could work with the community under existing authorities but ceilings on loans and grant moneys impose barriers in planning and developing the community's total water needs. The result is often fragmented planning and frustration on the part of community leaders in complying with the procedures of two different agencies and programs. It would appear that the Farmers Home Administration with its network of county offices is better situated to administer a total community services program to towns and communities in predominately rural areas.

The state of interagency confusion and overlapping as illustrated in a recent report which cites nine different Federal departments having programs for educational affairs. Federal recreational areas. many of which have application for rural development. are run by six different units in three departments as well as by one independent agency. In addition. we see agricultural-type programs operated by the Office of Economic Opportunity and so on and on.

Is it any wonder that understaffed county and municipal governments and community committees become exasperated in their efforts to dissect the entanglement of bureaucracy in their search for one program and one agency to which they can direct a project plan.

Immediate improvements in this situation could be made by the executive office through the budgeting process and by the Congress through redirecting appropriations to those agencies with historical mandates and the know-how to administer programs for rural communities.

BEGINNING WHERE WE ARE

A reasonable approach to the solution of any problem is to start where you are with what you have and make the most of it. So it must be with our combined efforts to improve the economic well-being and quality of life of rural Americans through intensified rural development programs.

The plight of small farmers and their communities is a national problem that can only intensify the current population pressures on our cities. This tragedy is vividly illustrated in the June 25, 1971, issue of Life magazine.

The conditions cited in the farming community of Vienna, S. Dak., are typical of literally thousands of once thriving rural communities. It is a story of desperation and hopelessness which should toughen the sympathetic nerve of responsible public opinion leaders and policymakers.

The fact that displacement of people from agricultural production has and continues to occur is not the critical social issue. It is, however, our failure to recognize and understand its consequences in the lives of people and communities affected. Most serious is the absence of an effective national policy of sufficient scope and emphasis to cope with the problems of transition of human resources and adjustments in the social and economic opportunities of small towns and countryside, U.S.A.

Although the 1969 agricultural census data are not yet published, latest estimates indicate Alabama has approximately 85,000 farms which is home for Alabamians. Of this total, approximately 80 percent, or 68,000 farms, produce an annual gross farm income of $10,000 or less. After deducting the high cost of production supplies required to produce this gross, the remaining net farm income falls below any of the poverty income guidelines that have been set forth. On a per capita basis the income figures are even more distressing since most studies show that this category of farm families is among the highest in terms of family size.

A majority of these 68,000 farm operators are able to remain on their land only through supplemental income from off-farm sources. While this is a desirable arrangement, there is growing evidence that farm income will contribute an even smaller share of total income for these limited resource farm families. Being confronted with increased income needs, thousands will be forced to undergo the relentless frustrations experienced by those before them. Some will accept a smaller income and remain on their farms. A few will be able to find full-time local off-farm employment. But the majority will only experience the anxieties of decreasing levels of living and look to the cities as a means of escape from their depressed situation. They will not be easily convinced that the city only holds more of the same for the many who go there ill prepared for either the work or social environment or urbania.

Unless we can provide opportunities for these rural residents, what hope exists for the larger long-range challenge of repopulating our rural areas? Increased emphasis should be given to U.S. Department of Agriculture programs which provide financial, education, and technical assistance needed by the rank-and-file farm family. These resources could be used effectively to meet the short and intermediate range needs for generating more farm income and for providing additional stimulation for some who may have the potential capability to move into a commercial agriculture status. We should not take for granted the contributions that further development of our agricultural sector can make to viable rural economies and increased levels of living of rural people.

The future on the farm for literally thousands of Alabamians depends on access to credit at reasonable terms. A report recently released by the Auburn University Cooperative Extension Service bears this out. The report dealing with extension's demonstration program for limited-resource farmers in Alabama indicates that additional credit could be put to productive use. Generally speaking, the volume of production on these farms does not efficiently employ the available labor. Furthermore, their equity position, on the average, is about 90 percent of assets or approximately $25,000. Consequently, sufficient equity exists to adequately finance additional capital if it were readily available. The additional credit, if wisely managed could be used to expand existing or add new enterprises to the business and more fully employ family labor.

The need for additional credit on the part of many farmers is further illustrated in activities of the Farmers Home Administration. All FHA operating-type loans have been made from direct appropriations. With the growing financial needs of farmers and with the need to increase and expand their size of operation which requires additional financial resources and with banks and other private lending institutions reducing their assistance to farmers, the need of this program is increasingly critical. To enable Congress to provide adequate funds for this program, appropriations should be switched from direct to an insured program with funds provided from local and national lenders.

Since the inception of the program, FHA in Alabama has assisted approximately 11,000 families to enlarge, develop, refinance or purchase farms of their own. Approximately $85 million has been used for this program. A majority of these families were sharecroppers and tenants who are now substantial citizens and taxpayers in the State.

While responsibilities and lending authority of FHA have been increasing, the manpower of this agency has not increased proportionally. If a concerted effort is to be made to keep people in rural areas, appropriations for this agency should be expanded and additional personnel provided.

There is also a tremendous need for additional resources to provide intensive research and educational programs in the area of management and use of production technology among Alabama's farmers. The use of modern business management techniques, particularly among farmers grossing less than $10,000 annually, is grossly inadequate.

Successful experiences gained in the use of subprofessionals in the national food and nutrition education program clearly demonstrates that many rural families, given individualized intensive assistance, can be motivated to help themselves. This approach should lend itself to helping stimulate the productivity of thousands of small farming units.

Another major obstacles to further agricultural development is the lack of adequate markets. Small farmers have particularly felt the brunt of economic forces resulting from lack of access to markets. Like all farmers, they are price-takers—the prices for their products are set at the end of the marketing chain upon which they have no influence. Further, there has been a general inability of limited resource farmers to integrate into the present marketing process due to a lack of volume and capital. These factors along with decreasing sources of production supplies and outlets for their products have compounded the price-cost squeeze.

Alternative arrangements are needed to aid groups of small farmers in purchasing of their inputs and development of better and more accessible markets. To bring these farmers into a total market economy this will require a strengthening of the Agricultural Marketing Act of 1946 and subsequent acts that have enhanced market development. The inclusion of these farmers into the marketing process and the corresponding development of more marketing services will have a multiplier effect upon the total development of rural communities.

The production of an abundant supply of food is still an essential for this Nation. Commercial farmers, in many respects, are the backbone of this country. Their significance and the importance of their contribution cannot be overlooked in rural development. In addition, agriculture through the growing exports market contributes to the improved status of the balance-of-payments situation for the United States. The producers of most of our food have built up large capital investments in land, buildings, machinery and equipment as well as livestock on which they, under today's conditions of prices received and costs paid for production inputs, are not receiving a fair return on their investment. Present agricultural policies and programs do not point in the direction of helping commercial producers achieve fair returns and incomes comparable to other segments of the economy. The plight of many nonagricultural businesses is tied to that of the farmer. Insuring that commercial farmers receive a fair share of national income is one of the most significant ingredients of rural development.

TRANSPORTATION PROBLEMS OF THE OLDER AMERICAN IN RURAL AREAS

By Ira Kaye, Chief, Community Development Branch, Office of Economic Opportunity*

Nature and Extent of Problem

As a society, we are justly proud of the increased life expectancy of our people. As social scientists we recognize that one important indicator of social growth is the life expectancy factor. We tend to denigrate societies, nations or cultures with a life expectancy factor significantly lower than our own.

Absent from the list of indicators, however, are life enhancing factors for people as they attain greater life expectancy. In our society there is a tendency to make it more and more difficult for the elderly to have access to those basic services which make life desirable and sometimes even possible. The needs of the elderly for food, income opportunity, welfare, education, recreation, and just the general need to participate in the life of the community are made increasingly difficult of fulfillment because one of their most critical needs is ignored. That need is mobility. By mobility we mean the capacity, capability and the opportunity to move. Transportation is only the physical means of moving and is one way of satisfying the need for mobility.

Material prepared for the 1971 White House Conference on Aging, while open to some question on detail, provides us with as good a planning tool as is required to define the dimensions of the problem. There are 20 million persons over the age of 65 residing in the United States. Of these, 6.6 million live in the Central City; 5.8 million live in suburban areas and 7.6 million live in rural areas. While this indicates a not too dramatic spread of the places where the elderly live, it does indicate that our rural areas have a disproportionate demographic percentage of population who are elderly. Conversely, the rapidly growing suburbs have too small a percentage. The numbers of elderly will continue to grow. By 1985 it is estimated there will be slightly more than 25 million and 28 million by the year 2000. By 1985 nearly 10 million persons will be over 75 and there will be another 7.5 million in the 60–64 age bracket.

Since our society views transportation as a commodity which must be bought, one dimension of the problem is the economic ability of the elderly to purchase transportation. Considering families whose head is over 65, 22% have income below the poverty level of $3,400 for a farm family of four and $4,000 for a non-farm family of four;

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*The following is to be published as a chapter in a multi-authored textbook, "Social and Vocational Rehabilitation of the Older American," under auspices of Virginia Commonwealth University. The chapter presents the opinions of the author, and does not represent the Office of Economic Opportunity.

an additional 15% have income defined as the near poverty level, exceeding the poverty level by 10%. 63% attain an income level sufficiently high to eliminate the ability to pay for transportation as a factor of the problem. The near poverty group must be included in the number who, under our present concepts, cannot afford transportation, since experience tells us that large numbers of this group fall into the poverty group from time to time, responding to the general vicissitudes of making it in our society. When we consider persons over 65 living alone or with non-relatives we find 42% have income below the farm poverty level of $1,700 for a single person and $2,000 for non-farm; 28% live at the near poverty level and only 30% have income above the line where cost of transportation ceases to be a problem. An older person living alone or with a non-relative is probably excluded from the present transportation market almost entirely. Elderly people living in institutions are excluded from these statistics.

Most public transportation, and to a large extent private transportation is geared to the home to work to home trip. Since only about 20% of the elderly are regularly employed, the transportation needs of the elderly flow against established patterns. In urban areas, the origin-destination pattern of their trips are diverse and do not conform to the radical pattern into and out of downtown areas. In rural areas, so many do without mobility that a pattern is hardly discernible. In all geographic settings, the older persons' trips are, to a large extent, to obtain health assistance, shopping, and for social or recreational purposes. They seldom take evening trips; in many areas with good reason they fear for their safety. In the urban areas seldom do they impose on the rush hour crunch.

In typical urban areas identified as having an above national average of elderly persons, here is what we find:

Atlanta, Georgia Model Cities Area: Total population, 45,000 people. There are no physicians, dentists, large chain grocery stores or banks. All three pharmacies are located in the western section of the area. Public transportation is grossly inadequate and 50% of the elderly have incomes of less than $1,000 a year. The recent bus fare reduction from 40 cents to 15 cents if sustained will help out.

Seattle, Washington: 20% of the Model City area's population is over 65 years. A large number of the elderly are single men. There is no nursing home in the vicinity. It lacks basic transportation services and affords hardly any life support services.

A study of five cities in Ohio: Cleveland with 167,000 elderly; Toledo, 70,000 elderly; Springfield, 17,000 elderly; Portsmouth, 8,000 elderly and Logan, 1,500 elderly, generally representing over 20% of the population in each city, indicated the following: 42% reported the need for transportation beyond any available; 58% had income under $2,400 per year, indicating that they had little or no money left for transportation after basic life support expenditures were provided for. The need for transportation was identified as follows: shopping 24%; visiting friends 23%; attending church 23%; health care 22%; recreational and social activities 14%.

In typical rural areas the situation is even more appealing.

Iowa: the percentage of elderly residing in rural Iowa is rising rapidly. Twelve counties already have 16% of their population in the upper age bracket. Former Governor Blue has stated, "Transportation is a major problem for people residing in small communities and in rural areas. Passenger service by railroad is almost non-existent, and where it does exist persons go long distances to reach terminals that accept passengers. Transportation by motor bus is also non-existent in a large portion of the small towns . . . and in many of the smaller communities there is no taxi service." To this we must add in many of these communities there are no ambulance facilities either.

Eastern Kentucky: The isolation of the elderly is much more severe than that of generally considered isolated total population. The President of the Senior Citizens Association of Eastern Kentucky has stated, "The need to see a physician, to purchase drugs, to purchase groceries, is a hard one to fulfill for the older person. He must depend upon the public facilities offered, and in the rural areas this is limited mostly to taxicabs which are expensive. Neighbors oftentimes offer their services in assisting the older person with his transportation needs but too often this is not dependable enough to offer the senior citizen the security he needs."

Central Mississippi Delta: A representative of the Tufts Delta Health Center, funded by the Office of Economic Opportunity, testified at hearings of the United States Senate Special Committee on Aging that almost total lack of transportation is a major obstacle to the provision of health care. Few elderly people in that area of Mississippi have access to transportation. Many of them are forced by these circumstances to give up part of their food to buy transportation to purchase food stamps.

West Virginia: At the State Forum which preceded the White House Conference on Aging, the following was related. An old man in a rural area near Charleston spent one third of his monthly Social Security check for a single trip to the doctor in Charleston. Living in an area with neither bus nor taxi service, he paid a neighbor $9.50 to drive him for a nine a.m. appointment. The doctor did not see him until two p.m. so he had to give his waiting neighbor a dollar for lunch. The doctor charged him eleven dollars for the visit and a laboratory test. Two prescriptions cost him $9.53. His total expenditure was $31.03, none covered by Medicare. He spent 10½ hours from the time he left home in the morning until his return. His neighbor who was put out by the delay told him the next such trip would cost him $12.00. Although the doctor told him to return for a follow-up examination and treatment, it would be a very long time before he would visit a doctor again.

One physician at 60 years of age told the Forum that he had to keep very long office hours virtually seven days a week because he and one other physician aged 85 served their entire county of 17,000 persons. He stated, "We see people who have been sick or acutely ill for several days and we sometimes ask why have you waited so long? They say, 'well, I live in such and such a place, it is only Saturday or Sunday that I can get anyone to bring me to the doctor's office.' The people are working during the week and there are only one or two cars in the community and therefore we have got to depend when they are not working or on Sunday.' "

To the elderly this lack of access to transportation adds to his isolation, his ill-health, his poor nutrition and makes the so-called Golden

Years sound with a brass ring. To the society which allows this condition to exist or continue a warning should be s[illegible]ed to re-examine values and priorities.

The Older Person and the Private Automobile

What of the large number of older persons whose income level makes mobility affordable? We are living through an era which has witnessed a sharp decline in public transportation. For a variety of interrelated reasons an industry wide deficit of $11 million in 1965 has risen to $130 million in 1968 and is still rising. Attempts by the industry to recoup its earnings by increases in fares shows that in spite of a 300% rise in fares between 1945 and 1968, the number of passengers using public transportation has decreased by two thirds.

In the latest 15-year period 120 companies have disappeared; of these 70 were in cities of less than 25,000 people. Because of this trend mobility and transportation has meant the private automobile in a growing number of localities. The elderly as a group have severe handicaps which affect their ability to drive automobiles under current conditions. This is so in spite of the estimate that 81% of the elderly could travel without assistance. 10% of the elderly have impaired peripheral vision, 15% have hearing losses. Generally they have difficulty with multifaceted tasks and 20% suffer from neurological depression. Many, from time to time, are under medication that slows reactions. Although the University of Denver Law School study in March 1970 indicated that drivers over 65 averaged 37% fewer accidents than would exist if their proportion of accidents were in exact ratio to their driving population; represented 7.4% of the total driving population in the 30 states and the District of Columbia area surveyed but were involved in 4.8% of all accidents; averaged lowest of all age groups in the frequency of injury producing accidents; and average 7% fewer fatal accidents, the older driver faces tougher and tougher licensing requirements and largely discriminatory insurance rates. Many companies arbitrarily cancel out elderly drivers as bad risks even though they have a favorable accident record. Assigned risk plans to which those who desire to continue to drive must turn mean not only higher costs but these must be paid in one lump sum. One is therefore not surprised to find the elderly in the Transportation Workshop at the White House Conference pressing for a strong recommendation of No-Fault Insurance.

Highway construction, including the interstate systems, requires speedier traffic flow, shorter reaction times to get on and off the system and adjusting to rapidly changing traffic conditions. Since the elderly usually drive older cars, this too adds to the handicaps. The private automobile is at best a dwindling resource to afford mobility to the elderly. The modern highway system has had one additional negative effect on the ability of older Americans to travel. The decline of public transportation which has been discussed above is directly related to the death of public transportation in small towns and rural areas. The ability of the great, national bus lines to speed along the interstates and other major highways means the bypassing of larger segments of rural areas, small communities and their beleagured people. This factor combined with the increased and more efficient transport of goods by truck has encouraged the railroads to shut down or curtail service in these same areas. As more and more families leave the central city to reside in suburbs linked by beltways and radial highways, the elderly have less access to public transportation. Since the general society's life style requires the use of the private automobile, transportation planning too often becomes highway construction. Until recently it was nothing else. It is almost axiomatic that the needs of the elderly rarely is considered in such planning. Nor have there been mechanisms through which the elderly themselves could participate in such planning.

What public transportation remains is based on the home to work trip. As we have seen this virtually eliminates the older person as a user. It has been observed by most urbanologists that most new activity centers tend to be located more and more on the fringe of jurisdictions. This trend assumes the availability of a private automobile or even two to provide adequate mobility for the residents. Those who cannot afford the luxury of this mode become immobile and isolated. Those older persons who can afford to own and operate a car feel constrained to limit themselves to drive only at certain times of the day in which they feel it is safe to drive. Many are issued licenses which specify daylight driving. Dr. Gelwick of the Gerontology Center, University of California at Los Angeles has found that the improvement and expansion of our highways and the development of expressways and freeways have produced compartmentalized cities. Instead of neighborhoods, we now have the medical center, the business center, the shopping center, each of which may spread over many acres of land. Once an older person reaches one of these centers and parks his car he may find it extremely difficult to reach his ultimate destination. With the decline of the neighborhood, the center becomes the only resource for the fulfillment of shopping, medical and other needs of the elderly. He then asks, "Of what use is it to take an elderly person to the corner of the shopping center if there is no internal transportation system to assist him in traversing the several acres of parked cars or moving from area to area within the center?"

Existing Approaches to Solutions—U.S. Department of Transportation

A problem so severe has challenged some communities to seek solutions. Those working on the general problem of transportation for the elderly have sought to determine whether the elderly are better served by transporting services to the elderly or by transporting the elderly to the services. From another perspective they have sought to determine whether the elderly are better served by a transportation system designed exclusively for them or by a comprehensive system for the community at large which plans for the special conditions and needs of the elderly.

Since as a nation we have made only sticking our toe in the water efforts so far, these questions remain largely unanswered. At best we can describe without evaluating the options and alternatives thus far tried. For starts let us examine what Federal Legislation exists which could provide us a basis for programs to overcome the mobility handicap of the elderly. Under the Highway Safety Act of 1966 (P. L.

89-564) the Secretary of Transportation is authorized to establish performance standards for State highway safety programs to implement these standards. Two such standards, Driver Licensing and Pedestrian Safety, are of particular interest to the elderly.

It is to be noted that only one of these really affects the older person as a user of transportation. To date, the only recommendations on highway design affects the elderly persons as a pedestrian. Measures have been taken to eliminate steps, steep grades and traffic lights which require fast and aggressive walking to make a crossing safely. At we have already noted, the Driver Licensing Program correctly seeks uniform, national standards to remove potentially unsafe drivers from our highways. This program cannot increase the number of elderly drivers.

Under its legislative authority to conduct research and planning, the Department of Transportation has conducted a very few studies and/or evaluations of programs. One was the evaluation of the Raleigh County, West Virginia, project funded by the office of Economic Opportunity as a demonstration project for a limited, definite period. A substantial percent of the people served by the projects were elderly, poor persons residing in isolated rural areas around Beckley, West Virginia. Special non-work trips were provided which improved (any trips had to be an improvement) service to the elderly. The study recommended the use of school buses, mail trucks and improved service from the local Community Action Agency bus. It suggested an experiment with transportation stamps or vouchers. It did not result in the Department of Transportation providing the funds for a continuation of the project to enable it to test out the suggested modifications.

The Department funded a study of the transportation problems of the urban disadvantaged which includes elderly as well as physically handicapped younger persons. This attempted to get at the equipment and hardware problems of the elderly and physically handicapped as they face all types of air and surface transportation. A report entitled Travel Barriers was issued. It is available from the Clearinghouse for Federal Scientific and Technical Information, Springfield, Virginia, 22151 (PB #187, 327). The study team consisted of social scientists, systems analysts and designers. Subways, buses and trolleys, train and airplane barriers were studied in relationship to an index which measures the percent of disadvantaged individuals who are prevented from making or are discouraged by the prospect of travel because of the particular barrier. These matrices then gave the designers a crack at suggesting design changes in vehicles, cars and airplanes as well as terminals and baggage handling arrangements. The suggestions and recommendations are still under study. As we shall see, a beginning has been made in their implementation in a few of Urban Mass Transit Authority's Research program.

Section 16 of the Urban Mass Transportation Act of 1964 states that 1½% of the total funding of UMTA Programs *may* be set aside to assist state and local public bodies and agencies to provide mass transportation facilities and services for elderly and handicapped persons. Data to date indicates that this section of the act has not been properly utilized. This is the only specific approach mentioned by the President in his message to Congress on the Aging, dated March 23, 1972. There have been, however, several Research, Development and Demonstration projects funded by UMTA which indicates that at last the Federal Government may be moving to find answers. These consist of an advanced people mover system in Morgantown, West Virginia. 100 vehicles are to be especially designed to facilitate use by the elderly and the handicapped. These vehicles and all stations on the system provide wide aisles, extra wide doors, open floor space and elevators to accommodate disabled or aged riders.

Haddonfield, New Jersey has a Dial-A-Ride demonstration project. One vehicle of its contemplated 12 will be specially equipped with a lift device to handle wheel chairs. Currently under development are new bus specifications for special features which will ease travel for the elderly and handicapped. The innovations include bus floor level with curb heights, wider aisler and tracts for canes.

In the lower Naugatuck Valley in Connecticut, a suburban area of which 10% of the population is elderly, there is a project based on transportation services to health and medical facilities. The demonstration seeks a test of demand-responsive, fixed route services and a combination of both. There is a project in Helena, Montana which has no public transportation except expensive taxi cabs. A multi-modal, demand responsive bus system designed to meet the mobility needs of the elderly is the basis of the project. The local taxi company will operate the system. If the experiment is successful, the city will continue to operate the system at the cessation of federal funds.

Summing up the Department of Transportation effort for the White House Conference on Aging, its own task forces stated, "In all fairness, it must be said that to date the impact has been minimal."

EXISTING APPROACHES TO SOLUTIONS—OEO AND OTHERS

Just as the efforts of the Department of Transportation include approaches which serve only the elderly, as well as a few that see the elderly traveller as only one component in a comprehensive system, the Office of Economic Opportunity has funded a few urban and about 50 rural transportation projects testing both approaches. Unlike the Department of Transportation which cannot see itself authorized to provide rural transportation, or use highway trust funds for public transportation, or any funds for operation subsidies, the Office of Economic Opportunity has found the flexibility, if only limited appropriations, to move into the breach.

Since it is charged with aiding people to break out of poverty cycle, it could start with the demonstrated needs of the people. We have seen how the elderly poor are more severely handicapped by the lack of transportation than the elderly taken as a group. Thus any transportation system geared toward the needs of the poor, benefit the elderly as well. And in those rural areas totally deprived of public transportation, the institution of almost any system places an additional resource and alternative to the elderly as a group.

Early studies such as Project FIND identified the need for transportation. It seems superfluous to continue to research this point. However there is still a lingering debate about the feasibility of bringing the service to the people rather than the people to the service. Under the national emphasis program provided for in Section 222a (7) of the Economic Opportunity Act of 1964 as Amended (42 USC 2809) (Senior Opportunities and Services), many centers provided Meals on Wheels or other food delivery services, mobile vans for food stamp registration or delivery, social security information and services and other categorical services.

There have been efforts in some of the health programs to provide mobile medical and dental vans. While some have proved successful and meet specific needs especially of the relatively small percent of the elderly who are housebound, they are costly. The elderly do not see them as the preferred solution. While a visit is pleasant and breaks the monotony, it does not bring the elderly into the community. He still has many economic, social, and psychological needs untended that he wants and needs to do for himself. The examples of the Office of Economic Opportunity effort, usually operated by a local Community Action Agency, reported below rely on transportation in the accepted meaning of the term to meet the older persons needs.

In Maine there are two prototype programs. In Kennebec and Somerset, two twelve-passenger vans and two nine-passenger station wagons are operated by the CAA staff. They are used mainly to transport the elderly for required medical services. In York County, however, the county acquired a bus with funds from its surplus commodity program. It was utilized as the CAA's local share to bring in an Emergency Food and Medical Services program. The driver is paid under the Emergency Employment Act. The bus carries 17 poor persons a day from the rural areas to Portland. While this program was not set up for the elderly, as a group they have benefited most.

In New Hampshire, Rockingham County uses five twelve-passenger vans to transport Head Start pupils. In the period between the time classes start and the homeward journey begins, the vehicles are used to transport the elderly for all types of trips. The CAA uses part of its local initiative money and part of its Emergency Food and Medical Services grant to keep the program in operation.

In Vermont, the Champlain Valley Transportation Corporation (CVTC) was started as a non-profit corporation in 1969 to serve the rural Counties around Burlington, Vermont. It has nine ten-passenger buses and three sixty-passenger buses which run daily routes to pick up general passengers, many of whom are elderly. It has contract or charter services for a variety of older persons activities. It also delivers parcels. Two counties have initiated a demand-activated dispatch system instead of fixed routes to determine the effectiveness of this approach in promoting mobility for otherwise isolated persons. The Corporation is governed by a Board of low-income people elected by the low-income residents from the four counties served. It determines the routes, the mode of operation, contracts with State agencies and assists in staff selection. The Board includes a large number of older persons. They attend local CAA meetings, as well as Senior Citizen groups and hold public hearings to remain responsive to their local communities. CVTC also has a garage component utilizing manpower trainees to do repair work on low-income peoples' cars at low prices. This service aids the elderly car owner.

In New Jersey, Progress on Wheels serves the elderly in rural counties in Northwest New Jersey. The CAA obtained a government surplus bus. A trading stamp drive was organized, and the stamps redeemed for sufficient cash to maintain the vehicle. Volunteer drivers were recruited and the service transported older persons to meet their overall needs. Eventually a cash grant was obtained from the Office of Economic Opportunity which enabled the program to purchase two nine-passenger vehicles. These are supplemented by eight sedans and three station wagons some of which are owned by the drivers. The project employs 32 people; only the director and his administrative assistant are not elderly. Regular routing schedules would have placed the service under State transportation regulations so it operates on a modified demand responsive basis. The elderly telephone requests for services to schedulers at the POW office. The schedulers obtain drivers and arrange all trips. Referrals from social service agencies, physicians and other such sources are also honored. The part-time drivers are paid up to the Social Security authorized maximum. Other drivers are paid depending on ownership of the vehicle for mileage and time. As successful as this program is it has difficulty in maintaining its funding status.

In North Carolina's Appalachian area, the Green Eagle Transportation Cooperative serves Watauga, Avery, Mitchell and Yancy Counties. WAMY Community Action Agency sponsors the program but the operation has been delegated to Green Eagle. There are 530 members who purchased stock at $5.00 a share. Only Cooperative members may ride the bus, but this has been interpreted to mean that any club or group with a member who owns a share of stock can charter vehicles for the whole group. Thus senior citizen organizations can charter buses from the Cooperative.

In addition to the Raleigh County experiment, previously discussed, West Virginia's Pride in Logan County Community Action Agency is about to launch a system which meets community needs but thereby takes care of the needs of the elderly. It will be under contract with the Department of Labor's WIN (work incentive) program, Head Start, Social Security and other service agencies to provide transportation for medical assistance, the welfare office, Social Security office, etc. The drivers will be WIN enrollees. They will have thirteen weeks of work experience training. After training they will be employed by the Transportation System. Training will be provided by the Department of Public Safety, County School System and vehicle manufacturer.

In Maryland, the Community Action Agency in Anne Arundel County organized a transportation cooperative with funds from an OEO Research and Demonstration grant. They were able to acquire, thru the Economic Opportunity Loan Program administered by the Farmers Home Administration, a cooperative loan to buy buses. This is the only example of a transportation cooperative aided by the credit facilities of the Farmers Home Administration. The fixed routes service areas where a substantial part of the riders are elderly.

In Pennsylvania, three CAAs serving the rural counties of Erie, Crawford, Warren and Forrest run a comprehensive system tailored to the needs of the elderly. Volunteer drivers with accident-free records and adequate insurance are utilized. They are reimbursed only for the costs of operating the vehicle. Persons desiring to ride contact the CAA which establishes a pick-up route. The driver picks up the rider at his residence.

The rider makes a cash donation to the program for the service. Since the system is operated by a non-profit corporation it is enabled to accept such donations, yet run a regular route free from the jurisdiction of the Public Utilities Commission. It has achieved an effective degree of coordination with the agencies, some of which alter schedules to meet the transportation schedules to better serve the client riders.

In Oregon, the CAA in Jackson County developed a system called Operation Transport and received OEO funds in June of 1971 to provide low-cost transportation for the poor, especially the elderly poor. This system combines a carpool, rural taxi service, central city interagency shuttle and inter-city bus service. A local existing transit company and colleges are involved in managerial and research aspects of the system. The project aims to help create a local transit authority and to influence private transportation industry to meet rural poor people's needs, especially those of the older person.

There are small, initial efforts like these in several other states. Those students interested in more details are directed to the Appendix which lists specific agencies to contact for information on their particular systems.

In addition there are a few programs directly funded by the Office on Aging. In February 1972, Maine became the first state to receive funds under the Older Americans Act to implement a program specifically for older persons. Project Independence serves three western counties in Maine—Androscoggin, Franklin and Oxford. Free transportation is a key feature of this project which includes a variety of other activities including information-referral service, health screening, homemaker and home health nursing service and leisure time activities.

An elderly person needing transportation calls a toll-free number to make arrangements with a dispatcher. Usually 24 hours notice is needed, but emergency arrangements can be made on shorter notice. To begin with, the six mini-buses operate nine to five week days, but it is expected that hours and days will be expanded once the program gets underway.

It is difficult to generalize from the small sampling of experience that exists. Most programs have initial difficulties with Public Transit or Utility Commissions over franchise, schedules and rates. Sometimes an existing company that has virtually abandoned its franchise suddenly protests that its rights are being invaded. Local taxicab companies also complain of unfair competition. Cooperatives have been denied tax-exempt status by Internal Revenue Service local offices. Many programs suffer from the effects of failing to run adequate feasibility studies or origin destination studies. Rarely have operating expenses for the early lean years been anticipated.

Government agencies may extend credit or even grants for the acquisition of vehicles but rarely do they provide the operating subsidies to launch a healthy program. Government surplus vehicles are convenient to acquire but too often they are in need of immediate costly repairs or need excessive maintenance to keep them going and too little has been set aside for such contingencies. If we have learned anything from our experience to date it has been the complicated nature of setting up a transportation system. It should not be undertaken lightly and only with the most expert help available.

THE ELDERLY SPEAK OUT

As we have seen, most of these programs are in the nature of experimental or demonstration programs and will terminate when the demonstration period runs its course. The Senate Committee comments: "The frustration, disappointment and bitterness engendered by the termination of the services—desperately needed by the elderly recipients—may not dissipate early. There is a need to consider the social implications of demonstration programs that are terminated after changing the lives of the participants." This, unfortuntaely, is true for all setcions of the population affected by demonstration grants. Yet since Congress and the Office of Management and Budget rarely respond except to data retrieved through the experimental, and research and demonstration approach, they alone have the ability to mitigate or eliminate the social evil complained of.

The immediate future is a bit more promising than the recent past. The 1971 White House Conference on Aging saw transportation as one of the top three problems facing the elderly and made the following recommendations:

(1) The Federal Government shall immediately adopt a policy of increasing transportation services for the rural and urban elderly. The policy should be flexible encompassing various alternatives. Both system subsidies and payments to elderly individuals may be needed, the choice depending upon the availability and usability of public and private transportation.

Subsidies should be made available not only for existing systems, but also for the development of flexible and innovative systems, especially where there are no existing facilities.

Financial support should be directed toward accomplishing program purposes such as:

1. Reduced or no fare transit for elderly people.
2. Operating and capital subsidies.

(2) The Federal Government shall act immediately to increase support for the development of transportation for all users, with special consideration given to the needs of the elderly, the handicapped, rural people, the poor and youth.

(3) Publicly funded programs for the elderly shall be designed so that transportation will be required as an integral part of these programs, whether transportation is provided directly by the program or through other community resources. Public policy shall require coordination of existing transportation with publicly funded programs for the elderly.

(4) The Federal Government should move immediately to adopt a policy which will both increase the level of funding available to the development and improvement of transportation services and also foster the coordination of all forms of transportation, public and private, at federal, state, regional, and local levels of responsibility.

The Congress of the United States is urged to immediately adopt legislation to convert the Highway Trust Fund into a General Transportation Fund to be utilized for all modes of transportation.

A portion of the General Transportation Fund shall be made available for the development of new transportation services and the improvement of existing transportation services for the elderly.

(5) A broad program to develop people-delivery systems in rural areas should be undertaken such as those by the Federal and State Governments, based on demonstration projects by the Office of Economic Opportunity, the Appalachian Regional Commission, Green Light and others.

Legislation should be passed enabling and requiring public, social, health and employment services in rural areas to help provide transportation and outreach; removing legal barriers such as taxi rates and car, taxi, and school bus insurance restrictions to such transportation services; and financing such services for older people in rural areas.

This last recommendation came from the Rural Older People Task Force. Many other recommendations worth of consideration by the serious student and decision maker can be found in the Report to the delegates of the Transportation Section.

These recommendations reflect the concerns of many people, from almost all walks of life, and from all sections of the country. It is important to note that the elderly, as well as the technicians, felt that a comprehensive system would better answer the needs of the elderly for mobility, than one fashioned exclusively for the elderly. Once again our older persons have opted to remain part of a viable community instead of a service-privileged group.

There are at least twelve legislative proposals in both Houses of Congress currently being considered which deal with the transportation problem of the elderly. Some provide priority in the allocation of UMTA funds to cities which will institute reduced fare programs for the elderly; some (please note) authorize special emphasis on transportation research and demonstration projects; there are none that address themselves to the request for a comprehensive system sought by the conference.

PROSPECTS AND PROJECTIONS

What of the future: The urban elderly can look forward to a continuation of the reduced fare trend. They may even be able to experience routing and scheduling more to their needs with less emphasis on the home-to-work trip. They certainly stand to benefit from experiments in the redesign of all elements in transportation. Vehicles will be designed which will eliminate the climbing of steps for entrance and exit. Special seats for the elderly and other handicapped, even the possibility of travelling with one's own wheel chair is achievable. Acceleration and deceleration will be geared to the safety of the elderly passenger.

The San Francisco Bay Area Rapid Transit System will provide:

Elevators to help non-ambulatory or feeble persons move vertically from street to train platform, equipped with telephone and controls within easy reach of wheel chair occupants.

Restrooms with special design features for elderly and handicapped, including doors wide enough for wheel chairs.

Stairways in stations with handrails on both sides extending 18 inches beyond top and bottom steps. Special parking facilities for handicapped will have especially wide stalls that are located close to stations.

A wheel chair occupant will be able to ride easily over the gap between train platform and the BART car floor, pass through the door and move from one end of the car to another. This extra width will undoubtedly be helpful to older ambulatory persons during crowded rush hours.

A loudspeaker system as well as highly visible signs will assist those with impaired sight or hearing.

Special services gates and fare collection machines will be installed in stations.

Closed circuit television communication systems, special directional signs and low placements of public telephones and elevator buttons will also provide special assistance to the elderly and handicapped passenger.

The Metro contemplated for Washington will incorporate many of these features. It is important to note that all of the features discussed represent existing technology. If the elderly had an institutional mechanism through which they could bring their special needs before the transportation and community planners, all systems could be made responsive to the needs of the elderly.

A recent study entitled "Communications Technology for Urban Improvement" indicates that with existing technology we can organize and operate a personalized dial-a-vehicle system to serve the elderly; create a system which would enable a person to telephone any bus stop and obtain precise information on when various buses will arrive at the stop. This would make it possible for the elderly to avoid safety and weather problems. We have little or no information on the cost to society to utilize the technology on hand. But we do know the cost in human suffering of the elderly if we do not make the effort.

In rural areas, the future is much less certain. Until we achieve a national growth policy which seeks the type of rural development capable of reducing outmigration of young people, it is doubtful whether any decision maker will authorize the investment in total resources necessary to provide adequate public transportation for our rural people including the elderly. Recent advances in communication technology including the communication satellite system could lessen the need for transportation, although we should not be deceived into thinking that these advances will eliminate it. What is required is a realistic appraisal of the transportation/communication mix necessary to properly serve our rural areas, its people and especially its elderly. An urban level of services in a rural residence could thus be achieved and the Golden Years become a reality.

One approach, which has not yet been explored, might be to combine all of the existing transportation and communication resources in given multi-county rural areas and with a systems approach fashion a people-serving comprehensive system. The resources spent by the Postal System to pick up and deliver mail; by the school system in picking up and delivering children; by the social service agencies to serve their individual clients; by the military with their under-utilized maintenance and training facilities all represent a sizable investment. If this investment could be restructured into a single system, it could provide a basis for a people transport system at fares all could afford.

As an example, Switzerland has a highly developed Postal Passenger Service which appears to be a model we should examine closely as it is relevant to the transportation needs in this country. The Swiss PTT and private licensed companies under contract with PTT provide public bus transportation and mail conveyance in areas where no railway service is available. The Postal Passenger Service is legally bound to keep its rates as low as possible and uses idle and reserve vehicles for extra trips, particularly for tourists, to generate additional income. The postal bus network extends over 4,700 miles, providing service to 1,600 villages; the average length of a route is about 7.5 miles. Vehicles are made to specifications of the PTT and are flexible enough in design to be used for a variety of assignments. The PTT owns garages for maintenance and repair work. In the last few years there has been more than a 5% increase annually in the number of passengers served. In a pamphlet describing the Postal Passenger Service, the PTT states, "It has always been one of the foremost duties of a government to promote good transportation facilities at reasonable charge." That philosophy seems to be the foundation which makes possible such a progressive transportation system.

Institutional and functional trade offs would be required. But weighed against the human tragedy imposed by lack of mobility, none of these trade offs seem unsurmountable. The elderly would benefit most from this approach. In most cases the duration of the ride is not that important to them if it is certain, safe, and comfortable. The ingenuity that brought a human to the moon ought to be able to figure out how to get an older person from rural West Virginia to Charleston to see his doctor in less than a day and for less than a third of his Social Security check.

APPENDIX—LISTING OF AGENCIES WITH TRANSPORTATION PROJECTS IN RURAL AREAS

ALABAMA

Pickens Community Action Committee, Inc., P.O. Box 348, Carrollton, Alabama 35477 (205) 367-8388.

ARKANSAS

Arkansas Mid-Delta Office of Economic Opportunity, Inc., Third Floor, Court House, Helena, Arkansas 72342 (501) 338-6408.

East Central Arkansas Economic Opportunity Corporation, P.O. Box 709, Forrest City, Arkansas 72335 (501) 633-7686.

Bradley County Community Action Corporation, P.O. Drawer 312, 117 Scotta, Warren, Arkansas 71671 (501) 226-5715.

CALIFORNIA

Economic Opportunity Commission of Imperial County, Inc., 143 South Sixty Street, El Centro, California 92243 (714) 352-8521.

Mountain Transportation Cooperative, 3500 Midas Avenue, Rocklin, California 95677 (916) 652-7247.

Marin Senior Coordinating Council, Inc., "The Depot" 930 Tamalpais Avenue, San Rafael, California 94901 (415) 456-9062.

FLORIDA

Lake County Economic Opportunity, Inc., 1224 Hazzard Avenue, P.O. Box 687, Eustic, Florida 32726 (904) 357–5550.
Gadsden County Community Action, Inc., P.O. Box 389, Quincy, Florida 32351 (904) 627–3872.
Putnam County Community Action Agency, Inc., P.O. Box 728, Palatka, Florida 32077 (904) 324–1482.

GEORGIA

Twilight Improvement Association, Inc., P.O. Box 426, Lincolnton, Georgia 30817 (404) 359–5844.
Economic Opportunity Atlanta, Inc., 101 Marietta Street, N.W., Atlanta, Georgia 30303 (404) 525–4262.

ILLINOIS

Kankaleeland Community Action Program, Inc., 185 North Joseph Street, Kanakee, Illinois 60901 (815) 939—4401.

INDIANA

Lake County Economic Opportunity Council, Inc., 708 Broadway, Gary, Indiana 46402 (219) 885–6273.
Trans-Op, 908 North 12th Street, Richmond, Indiana 47374 (317) 966–2801.

IOWA

MATURA Action Corp., Over 110 West Montgomery, Creston, Iowa 5801 (515) 782–5208.

KANSAS

NEK–CAP, Inc., 113 East 8th Street, Horton, Kansas 66439 (913 486–2156.
SEK–CAP, Inc., 110 North Ozark, Girard, Kansas 66743 (316) 724–8204.
Mid-Kansas Community Action Program, Inc., P.O. Box 1034, El Dorado, Kansas 67042 (316) 321–6373.

LOUISIANA

Jefferson-Davis Community Action Association, Inc., P.O. Box 1106, Jennings, Louisiana 70546 (318) 824–0519.
Tri-Parish Progress, Inc., P.O. Box 1404, Crowley, Louisiana 70526 (318) 783–7491.
Beauregard Community Action Association, Inc., P.O. Box 573, DeRidder, Louisiana 70634 (318) 463–7895.

MAINE

Northern Kennebec Valley Community Action Council, 60 Main Street, Waterville, Maine 04901 (207) 872–9292.

York County Community Action Council, County Courthouse Annex, Alfred, Maine 05002 (207) 324–5762.

Southern Kennebec Valley Community Action Council, City Hall, Augusta, Maine 04330 (207) 623–3871.

MARYLAND

Rural Community Bus Lines, Inc., c/o Anne Arundel Economic Opportunity Committee, 126 West Street, Annapolis, Maryland 21401 (301) 268–4800.

MICHIGAN

Gogebic-Ontonagon Community Action Agency, Inc., 216 West Ayer Street, P.O. Box 188, Ironwood, Michigan 49938 (906) 932–4200.

MISSOURI

Green Hills Human Resources Corp., P.O. Box 151, Trenton, Missouri 64683 (816) 359–3907.

MONTANA

Northern Cheyenne Cooperative Association, c/o Northern Cheyenne Tribal Council, P.O. Box 337, Lame Deer, Montana 59043 (406) 477-6381.

NEBRASKA

Southeast Nebraska Community Action Council, Inc., P.O. Box 646, Humboldt, Nebraska 68376 (402) 862–2881.

NEW HAMPSHIRE

Rockingham County Community Action Program, Inc., 50 South School Street, Portsmouth, New Hampshire 03801 (603) 436–3896.

NEW JERSEY

Progress on Wheels, Northwest New Jersey Community Action Program, Inc., Phillipsburg Municipal Building, Phillipsburg, New Jersey 08865 (201) 454–7000.

NEW MEXICO

Taos-Rio Arriba Counties Community Action Program, Inc., P.O. Box 1215, Taos, New Mexico 87571 (505) 758–4486.

NEW YORK

Sullivan Community Action Commission to Help the Economy, Inc., 10 Church Street, Liberty, New York 12754 (914) 292–5821.

Commission on Economic Opportunity for Rensselaer County Area, Inc., 346 Fuller Street, Troy, New York 12180 (518) 272–6012.

NORTH CAROLINA

Choanake Area Development Association, Inc., P.O. Box 280, Murfreesboro, North Carolina 27855 (919) 398–4131.

Johnston County Community Action, Inc., P.O. Drawer 1435, Smithfield, North Carolina 27577 (919) 934–2145.

Wake County Opportunities, Inc., P.O. Box 726, Raleigh, North Carolina 27601 (919) 833–2886.

Anson-Union Community Action Commission, Inc., 200 East Windsor Street, Monroe, North Carolina 28110 (704) 289–2521.

Nash-Edgecombe Economic Development, Inc., P.O. Box 307, Rocky Mount, North Carolina 27801 (919) 442–8081.

Green Eagle Rural Community Transportation Cooperative, c/o WAMY Community Action, Inc., P.O. Box 552, Boone, North Carolina 28607 (704) 264–2421.

Onslow County Fund, Inc., 823 Court Street, P.O. Drawer X, Jacksonville, North Carolina 28540 (919) 347–2151.

OREGON

Jackson County Community Action Council, Inc., P.O. Box 1151, Medford, Oregon 97601 (503) 779–5911.

PENNSYLVANIA

Warren-Forrest Counties Economic Opportunity Council, Inc., 225 Pennsylvania Avenue, West, Warren, Pennsylvania 16365 (814) 723–1712.

Venango Action Corp., P.O. Box 231 Franklin, Pennsylvania 16323 (814) 437–6821.

TEXAS

South Plains Community Action Association, Inc., City Part Post Office Box 610, Levelland, Texas 79336 (806) 894–3649.

Harrison-Panola Community Action Association, Inc., P.O. Box 1343, Marshall, Texas 75670 (214) 935–9952.

The Community Council of Cass, Marion and Morrison Counties, Inc., P.O. Box 666, Linden Texas 75563 (214) 756–5596.

VERMONT

Champlain Valley Transportation Company, Inc., 110 East Spring Street, Winooski, Vermont 05404 (802) 655–2300.

WEST VIRGINIA

Mercer County Economic Opportunity Council, P.O. Box 3185, Bluewell, West Virginia 24701 (304) 589–5451.

Raleigh County Community Action Association, Inc., P.O. Box 922, Beckley, West Virginia 25081 (304) 252–6396.

Laurel Valley Transportation Cooperative, c/o Wyoming County Community Action, P.O. Box 567 Oceana, West Virginia (304) 682–6913.

WISCONSIN

Indianhead Community Action Agency, Inc., Rusk County Court House, Ladysmith, Wisconsin 5484 (715) 532–3719.

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SOUTH DAKOTA AND WHAT NEEDS TO BE DONE

TESTIMONY OF DUANE ACKER, DEAN, COLLEGE OF AGRICULTURE AND BIOLOGICAL SCIENCES, SOUTH DAKOTA STATE UNIVERSITY, BROOKINGS, S. DAK.*

In South Dakota we have less than 700,000 people, in fact, 666,000. This is comparable, in fact, a bit smaller than the total population of the Twin Cities, Minneapolis and St. Paul. There has been a loss in the past 19 years of 20,000 farms and ranches in South Dakota, production units. I do not need to tell you, gentlemen, the impact a loss of 20,000 small businesses would have on a community like St. Paul or Minneapolis.

About 45 percent of the South Dakota households in 1963 had an income of $4,000. I cite both instances merely to assure you that we do have data to support this kind of information. That is two out of every four families.

Senator MILLER. Are you including Indian population in those figures?

Dean ACKER. Yes, sir.

Now, I would like to tell you a bit more about the characteristics of these low income families.

Our rural sociology department at South Dakota State University using agricultural experiment station funds set out to describe and delineate the low income families found in the rural areas. We found three general types of low income families, divided in numbers about equally.

Number 1, what we call the Social Security type, average age, 71, two in the family, and a female is usually the head of the family because of health problems of the husband, because of being a widow, perhaps having a sister or mother, living with her.

Number 2, what we would call public assistance families, those getting aid through welfare. In this group the average age is 61. There are two members of the family and again the female is the head.

The third type we call simply "low income" because they receive no public assistance. In this group the average age is 36, there are five in the family, and a male heads the household.

Now, we compared the characteristics of this last group with a list of 14 characteristics commonly identified as being a part of the profile of a typical low income person in an urbanized area. The list includes high rates of unemployment, high degree of job jumping, high rates of residential mobility, et cetera. It is significant to note that 75 percent of the 120 rural families analyzed in the three-county area in this study possessed fewer than half of these "culture of poverty" characteristics and only four out of 120 interviewed were actually unemployed. Eighty-three percent were fully employed as farm managers, farm laborers, or service workers in the rural community. This means that the real problem, gentlemen, in South Dakota, is underemployment, not unemployment.

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*Pages 521–532—Hearing III.

Senator **Humphrey**. Would you not say that is rather characteristic of most rural areas?

Dean **Acker**. Yes, it is, similar to eastern Nebraska and western Iowa. I am very familiar with these areas. In other words, our man who is head of household cannot take time to stand in line for a welfare check. He is working. Even though his income is relatively low. And when I use the term underemployment I do not mean that they do not put in a 40 hour week. They may put in a 40 or 70 hour week. Their income is limited, number 1, because of the prices, because of business volume, both in the farm and the nonfarm community.

Now, I would like to say a little bit more about population trends, using demographic data for the State of South Dakota.

Now, let us take a look at the characteristics of the population of South Dakota for the year 1960 and the year 1970, age groupings from 6 to 9, to 24, age 25 to 64.

In 1960 there were in South Dakota 229,000 people in these lower three bars of the graph. Ten years later there are 193,000 people in South Dakota aged 10 to 24, a net loss in that group of people in the neighborhood of 37,000. Ten years later the number is smaller. But a more dramatic comparison can be made, regarding the group in the 0 to 5 age bracket. There were, in 1960, 83,000 people in this group, children from 0 to 5 years of age. In 1970 there are 54,000 people.

Now, if we think we have had problems with school reorganization and school consolidation in the last 10 years or 15 years, we have not seen anything yet. The impact on rural communities, on churches, or schools, will be utterly fantastic in the years ahead, both in the primary and secondary schools and, of course, eventually in colleges.

And I would like to add one item that is not in the written testimony. I would not mind moving the U.S. Department of Agriculture to Brookings.

Senator **Humphrey**. We mentioned the possibility of moving that department out of Washington. Maybe after this last weekend they will be glad to move it all out of there. [Laughter.]

Dean **Acker**. I have a very high regard for the Department but noting that Secretary Morton is considering running the Department of the Interior from Denever for a few weeks, I do not think Brokings or eastern South Dakota would be a bad location or should the Government reorganization occur and there be a Department of Natural Resources, South Dakota would be a very logical spot for that. Maybe even the Department of Community Development. Sioux Falls, Vermillion, might not be a bad spot for these.

Senator **Humphrey**. May I say in all seriousness these suggestions are not just facetious. I think there is great merit in them. I really do. I think that you offer constructive suggestions, particularly in developments so represented.

Dean **Acker**. Though I smiled, it was offered in seriousness and I have watched for a decade and a half the developments in Brazil after they established the Federal capital of Brasilia out in the heartland of the country.

While the implications that these statistics that I have reviewed with you have on such services as health and education throughout the state are pretty obvious, let me underscore this area of concern. The shortage of health care professionals coupled with the inequities of health delivery systems in some sections of our state are already critical.

In fact, *a young man severely injured in a farm accident in some of our most rural areas of South Dakota today is more apt to die from his injuries than a soldier with the same injuries on the battlefields of Vietnam.* Unless some plan for alleviating this situation is brought into use, the problems in this area will continue to become more acute.

Presently rural areas cannot even provide needed emergency first-aid treatment because there is no ambulance service of any kind. In other areas there is ambulance service but it is not staffed on an around-the-clock basis. Yet it is not uncommon for people in the western part of this state to live at least 90 miles from the nearest hospital.

While the number of hospital beds in South Dakota compares well with national ratios in terms of the population we have, these are misleading. Many hospitals that exist in the outlying areas lack adequate care facilities. A surprising number do not have intensive coronary care units. Paradoxically some areas have two or more hospitals serving the same locality, duplicating service.

Here again the prospect looks a bit grim in our rural states . . . mainly because rural areas do not attract doctors. We have about 75 doctors for every 100,000 people in South Dakota. The average for urban areas is 140. *Lack of earning power isn't what drives doctors away from these rural areas, it's simply overwork and isolation.*

Add to this the fact that South Dakota now ranks among the five states with the highest percentage of population over 65 years of age, plus the fact that our older people are on fixed incomes and simply find it hard to cope with the high cost of medical care and you can appreciate the problems we have here.

Transportation Problems

We have an exceptionally good interstate highway system in South Dakota but did you know gentlemen that there were trucking firms that refused to serve some communities last year because the area wanting trucking service did not have a four-lane, all weather road? *The result was that we had to actually close some processing plants!*

The reason, as usual, was hard nosed economics. Trucking firms know they have about 1.7 cents per mile by reduced travel time, lower vehicle cost and lower accident rates on the freeways. They also average 35 miles per hour on the freeway systems compared to only 8 mp. on unimproved highways.

In 1967 South Dakota had about 3800 miles of rail lines. At least 240 miles of those railroads have either been abandoned or the plans have been made to abandon them. Railroads are abandoning lines for the same reasons as the trucking firms. In 1969 both the Northwestern and Milwaukee roads, which together serve 85 percent of the locations served by rail in South Dakota, lost money.

Rail line abandonment is not the only problem in South Dakota. Many of the main rail lines that we must save are simply not capable of handling the new and larger freight cars that brings economies as well as better service. On one stretch of main line in western South Dakota, because of poor track, the speed limit is reportedly set at

12 miles per hour. The railroads aren't making the traditional style box cars anymore.

The approximate cost of replacing light rail lines with heavy duty ones is about $525,000 per mile. Needless to say these will not be built unless the railroad can make money. In 1969 the average return on railroad investment was 2.32 per cent. It won't be long until all box cars will be discontinued because they are difficult to unload and they are being replaced by hopper cars. The long range implication here is that is is becoming more difficult for our farm people to compete for the markets they must have to continue making a living.

A study completed last year by our Economics staff indicates that South Dakota income from agriculture could be $19 million higher by the end of 1971 if the state's grain and farm supply industries could apply known transportation efficiencies and management. By 1980 the savings from these efficiencies could run as high as $28 million.

Training Provided

Past experience told us that lack of informed and training management was resulting in some inefficient business operations, particularly in cooperatives. Our Extension Service has sponsored a series of workshops annually for 8 years to help with this problem. *Managers and directors of cooperatives involved tell us net earning have increased by an estimated $9 million annually during the last seven years.* That's a whopping $63 million added to the South Dakota economy and they credit the schools with a substantial part of this increase.

For example, the need for farmer-owners to plow more investment capital into some of these enterprises is decreasing and the business have also provided farmers with better services. Educational efforts centered around topics such as a more business-like approach to credit policies, better planning and use of financial statements and modernizing personnel employment policies which has decreased employee turnover.

This effort is credited with saving at least $3 million annually simply by reducing free credit time and by charging for credit service in the grain elevator and farm supply business in the state. These efforts have also helped farmers and elevator managers become aware of opportunities they have to use the grain futures market.

CHANGING GOVERNMENTAL ROLES

BALANCING NATIONAL GROWTH POLICY

STATEMENT OF WILLIAM S. BONNER, MEMBER, BOARD OF GOVERNORS, AMERICAN INSTITUTE OF PLANNERS, AND CHAIRMAN, CITY PLANNING DIVISION, UNIVERSITY OF ARKANSAS, FAYETTEVILLE, ARK., AND ALBERT L. MASSONI, DIRECTOR, NATIONAL AFFAIRS, AMERICAN INSTITUTION OF PLANNERS*

At present, no one agency speaks for the satisfaction of our total domestic needs: Responsibility is scattered throughout the Federal Government and discharged in terms of a multitude of shore range, erratically funded, and sometimes contradictory programs.

In order to cope with the growing magnitude of our domestic problems, we believe it is essential that domestic planning at least match the sophistication of defense and space planning efforts. The institute has for several years proposed the convening of a White House conference on national development policy, so far to no avail.

The Nation needs to have a set of coordinated policies in such areas as population distribution, industrial dispersion, land use, resource management, agriculture, housing, education, employment, and quality of life. In developing such policies, we firmly believe that Congress itself should compile and analyze its current policies as set forth in its legislation to determine if they are indeed a coordinated set of policies that will lead to achievement of the goals of the programs legislated.

Organization and structure of our local political institutions have not changed significantly since the turn of the century to compensate for the technology gap which puts dispersed populations at a disadvantage in terms of responding, or reacting, either to their best potentials for social and economic development or to initiatives taken by State and Federal Governments and major private corporations. Such dispersed communities are far less "masters of their fate" than more concentrated communities.

In Arkansas, we have seen our eight statutory planning and development districts as the vehicle by which to overcome the disparities and disadvantages being experienced by the dispersed population.

We believe these districts have already helped both local community governments and private enterprise to grasp opportunities for improvement which would not have been recognized—let alone exploited—without the special technical talents and information available from district staffs.

Districts should seek every possible means and resource to offer to local communities the "on call" services of qualified specialists. This does not mean that districts will have on their staffs all the expertise needed to solve both areawide and local problems. Rather the districts should seek to make use of the expertise of other agencies, such as the Extension Service.

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*Pages 180–185; 197–199—Hearing II.

There is opportunity for Extension to develop specialists in areas outside of agriculture per se. We find that personnel, working at the district level, are better able to articulate the needs of local communities and are more persuasive in arguing the case for support of their needs with State and Federal agencies. We anticipate that the districts will, in fact, become the major communication link between State and local governments.

To date, most financial inducements for industrial dispersion are made by localities and States. Should all States offer the same financial inducements, it is the same as no inducement at all in terms of influencing industrial location.

I might also parenthetically say here that in most States the inducements apply to the large cities as well as the small cities, so that basically it does not, even within the state, cause an inducement to move to a small or dispersed concentrated community.

Can such practices implement a national development policy? Why not a program of Federal inducements, by Congress, based on national policy? One such inducement might be a low discount rate on investment or operating capital by the Federal Reserve Board, by direction of Congress, for industries that locate in designated regional communities of dispersed population where Congress has determined that the national policy will be served by such action.

The Extension Service provides an information example; in early 1970, the Administrator of the Federal Extension Service in a memorandum to State extension directors stated:

> It seems essential that State USDA Rural Development Committees establish close cooperative relations with appropriate units of State government. The alternative ways in which to achieve this are left to your discretion. You may want to consider the consequences of becoming closely identified with or coordinated by State government administration. One of the great strengths of Extension in conducting its educational responsibilities as a part of the land grant university has been its objective, unbiased approach in working directly with private industry and local people. It seems essential that Extension cooperate fully and work closely with all units of government without being controlled or allied in a formal sense with such units.

The above indicates a reluctance on the part of USDA to assume a prominent role in rural development. Extension appears to be denying that it is an instrumentally of State government when in fact the land-grant universities are an integral part of this institutional structure of the States.

The President's Task Force on Rural Development in its report of March 1970 stated what it believed rural development to be. One can talk about eliminating low income, undertaking people programs, efforts to lift up those in greatest need, job creation, local initiatives, quality of life, industrial opportunity and the like—and as long as one talks about these to individuals, and to local governmental officials, not much is going to be accomplished.

About 2 weeks ago I attended a meeting sponsored by one of the Arkansas Planning and Development Districts for municipal officials from cities in a seven-county area. The seven counties have 33 incorporations, of which 21 are under 400 population and only one falls in the 5,000 to 10,000 population class. Each individual at that meeting, I am sure, would subscribe to the Task Force's concept of what rural development is. But it is pitiful to hear firsthand their helplessness as individual communities.

It was obvious that the staff of the planning and development district offered their only hope for attention to many of their problems. The attention the staff can provide is not only for a single community situation—but also on an areawide base.

What troubles me about the task force report is that it does not recognize that rural development must call for a new mechanism between local and State governments. A mechanism that cannot only bring to the attention of local governments opportunity for Federal and State aid, but also can provided the necessary professional and technical expertise and followthrough.

In addition, the mechanism must be in position to look at problems and opportunities on a comprehensive areawide basis. The rural area redevelopment program (RAD) could not achieve most of its objectives because such a mechanism was lacking. I fear the same will be true of the efforts of the USDA-sponsored State rural development committees unless the constituent agencies are willing to join together and make a coordinated effort at making available their services and programs through areawide mechanisms.

The use of multicounty administrative units—coterminous with areawide planning units—offers a sound approach to efficient and effective delivery of USDA services and programs the USDA, in my opinion, should abandon the county as a basis for delivery of its programs, as it is uneconomic—and with today's modern communication and transportation, physical proximity is no longer a prime requisite.

For example, a 10-county cooperative extension district might result in a substantial reduction of agricultural agents. Instead of one agricultural agent for each of 10 counties, there may be need for only three or four to serve the 10-county area. Instead of 10 relatively low-paid agricultural agents, there would be a much lesser number of well-paid agents. In addition, the funds released in reducing the number of agents will permit its utilization for specialists in the functional areas previously mentioned.

The USDA has not yet faced up to the need for an integrated multicounty delivery system, and the need to coordinate its efforts in rural development with those of planning and development districts. There is need to work out the means for coordination and delivery of services.

In conclusion, I wish to reiterate that the Institute favors a national development policy. We believe in the areawide need to provide effective service to local governments on the one hand and on the other to provide linkages between local governments and State and Federal to make Federalism work.

One additional comment. When we look at our planning schools, most of them, fortunately, are metropolitan-oriented. We would hope that through the further emphasis on the nonmetropolitan problem that our land-grant colleges would start to respond with training programs for people to work with these type units.

We do need a little different individual to work in the rural area, a person willing to work for not quite as much money, a person willing to stay there longer, because I think one of the keys to success of the nonmetropolitan district organization is going to be continuity of staff, this is very important. This has been one of the great strengths of the USDA Extension, that is, its continuity of staff.

Maybe what we need is somebody sort of between the county agent and our type of professionals.

Senator HUMPHREY. That is for these multicounty districts?

Mr. BONNER. Yes, a man has to live out in a town of 20,000 for the next 20 years, not the same type that wants to be director of planning for St. Louis or Minneapolis. He should not be trained the same way and he will not have the same outlook.

Our districts, even though they are relatively young, most of them have the original directors and we will probably continue with them for some years, because they did not come directly out of planning school to become directors. They were people who came in from other areas, including urban renewal and other jobs.

Senator HUMPHREY. I noticed that you had said in your prepared testimony on page 10, Mr. Bonner, you said it is now time for Congress to mandate the role on rural development for the Department of Agriculture. Just give me a little more specifics about that and give me your judgment as to what you think the Department of Agriculture has done, how well that is done, or what you consider your evaluation of what the Department has done in rural development.

Mr. BONNER. Well, I guess I could draw a parallel as I did in the paper relative to urban transportation legislation in the forties and fifties. I had some friends in the Bureau of Public Roads in the fifties when I came into planning, and it was obvious that some of them working at both the highway department level and some working in the Bureau of Public Roads at the Federal level were concerned with urban transportation problems, but the people in the top echelon, that is some of the State highway directors or their commissioners could have cared less about devoting their resources to the study and solution of urban transportation problems. There were exceptions. It finally took Congress to pass the Federal Aid Highway Act in 1962 that mandated these comprehensive coordinated cooperative studies of the urban transportation problems.

I think the same thing is true in the USDA at this time, that there are some people who are quite concerned about rural development. They are quite concerned themselves that many of their programs are not coordinated.

If you take a look at the Farmers Home Administration they have action programs in housing, in water, in sewer. But out in the field there is no coordination between the granting and how to apply these programs. The man who is funding housing is not concerned about where they are putting grants for water and sewer. And those administering water and sewer grants are not concerned about where housing is being put.

So you see, within even the one element of the USDA they are not coordinating adequately out in the field, and they are not, in most cases, working with the directors.

Now, in a few States the Farmers Home Administration has finally agreed to permit the areawide district groups to carry out the water and sewer plan.

In Arkansas they are negotiating to try to do this on a district basis to dovetail all these county plans into an areawide plan.

Congress may have to say to the USDA that if they do not shape up on their own, then the Congress will help by mandating some of these programs and the emphasis given to them that USDA has not given to them.

Senator **Humphrey**. What you are saying to them is we ought to spell out in more specific detail the rural development directives?

Mr. **Bonner**. Right. There is no rural development directive. I am conversant with the people at the university, the land-grant institution. Many of them have the same concern.

THE RURAL ELECTRIC COOPERATIVES LOOK AT RURAL DEVELOPMENT

TESTIMONY OF WILLIAM E. MURRAY, LEGISLATIVE REPRESENTATIVE, NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION*

We most strongly endorse the development of a national growth policy—one designed to achieve sound rural-urban balance. Rural electrics have not only supported this in resolutions, but in deeds as well. For many years now, they have been actively engaged in programs aimed at stemming rural outmigration.

Since 1961, REA borrowers have helped to establish 4,100 new industries and commercial enterprises resulting in approximately 300,000 new jobs. Moreover, NRECA and its membership, over the years, have actively supported legislation to improve economic opportunities and living conditions in rural areas. Rural electrification, of itself, has been one of the most successful rural development programs in the history of our country. Had there not been an REA program, which has made modern, dependable electricity available in nearly all rural areas, there would be little hope today of achieving a balanced national growth, and I do not think we would be having these hearings today.

3. REORGANIZATION OF THE DEVELOPMENT OF AGRICULTURE

We do not think that the administration's proposed reorganization plan is a practical or logical approach. Dismembering the Department of Agriculture, as recommended by the administration, and distributing its functions and agencies among four new super departments mainly oriented to urban concerns does not impress us as the best way to develop and administer a national rural development program.

In our opinion, the reorganization plan, combined with the administration's proposed rural revenue sharing, would further fragment and complicate rural development efforts. Reorganization and revenue sharing do not guarantee any improvement in rural development capabilities or effectiveness.

At their annual meeting in February, 1971, the NRECA membership expressed the opinion in a resolution (attached to this statement) that so far as creating efficient rural development machinery was concerned, it would be more logical and practical to reorganize the USDA into an effective rural development department than to disband it as proposed by the administration.

The resolution pointed out that the USDA should be officially assigned the mission of rural development, which we do not think that it has been assigned, for which it is obviously better suited to perform than any other existing or proposed department by virtue of its rural and farm orientation, its knowledge of rural people and its extensive field operations.

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*Pages 55–64—Hearing II.

Further, the resolution recommended that the agriculture committees of the Senate and House undertake a thorough study for the purpose of devising a nationwide rural development program. This we are happy to see that your committee is doing. And that as part of this study, the resolution recommended that the committees identify the additional missing components that the USDA will require and determine the extent to which existing USDA components should be expanded, and the changes in USDA structure that will be necessary to insure the success of such a program.

The inclusion of Farmers Home Administration water and sewer grant funds—$42 million—in the revenue sharing package is particularly ill advised. In about 70 percent of FMHA loans for waste disposal systems and 30 percent for water systems during the last 5 years, grants were required to make the projects feasible. FMHA no longer have jurisdiction over grant money.

Whether applicants would be able to obtain grants from the shared funds controlled by the States is not clear. Even if they were able, this would certainly produce more redtape than at present when the applicant obtains both the loan and grant from a single source. The $42 million, even assuming the States used all of it for grants, would only support a $160 million insured loan program next year. This is $140 million less than the administration recently approved for FMHA in fiscal 1972. With a $12 billion need for water and sewer facilities in rural areas, a realistic annual program level would be $750 million in loans and $250 million in grants.

SUMMARY OF RECOMMENDATIONS FOR A NATIONAL RURAL DEVELOPMENT PROGRAM BY THE NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

1. Assign mission and responsibility for a nationwide rural development program to the Department of Agriculture including responsibility for coordination with other Federal agencies and with state and local organizations.
2. Change name of the Department of Agriculture to more clearly reflect this mission; such as the "Department of Agriculture and Rural Development" or the "Department of Rural Development."
3. Restructure the Department by creating two subdepartments headed by undersecretaries, one for agricultural matters and one for rural development.
4. Change the name of the Farmers Home Administration to something more indicative of its broad authorities and primary responsibilities in rural community development; such as the "Rural Credit Administration."
5. Establish rural development goals in order to measure progress.
6. Expand existing rural development components in the Department of Agriculture in keeping with goals.
7. Provide Department of Agriculture with authority to fund multicounty planning districts, including funding for staff.
8. Provide Department of Agriculture with additional authorities, including the authority to finance job-creating enterprises including related facilities, which would require the following technical amendments to existing legislation—Consolidated Farmers Home Act of 1961:

(a) Elimination of present grant ceilings, both for construction and planning of community facilities.

(b) Expansion of the kinds of community facility projects for which planning and construction grants can be used.

(c) Increase the population limit of rural areas eligible for FmHA assistance from 5,500 to 10,000 so as to be consistent with the authority Congress gave FHA last year to make housing loans in rural areas up to 10,000 population.

(d)[1] Increase the present $100,000,000 ceiling on the Agricultural Credit Insurance Fund to $500,000,000.

(e)[1] Increase the maximum loan and grant for water and waste disposal projects from $4,000,000 to $10,000,000.

(f) Extend the deadline for completion of comprehensive plans required as part of community facility projects from the present deadline October 1, 1971 to October 1, 1973.

(g) Change type of bonding now required for FmHA employees from faithful performance of duties bonds to fidelity bonds. Present bonding is an important inhibiting factor in the delivery of FmHA programs, since it holds FmHA employees financially liable for losses resulting from procedural errors or errors of inadvertence as well as losses caused by fraud or dishonesty. Fidelity bonds would protect the government against losses from fraud or dishonesty, while removing the requirement for imposing fiscal penalties on employees for technical, procedural or inadvertent errors.

RESOLUTION ADOPTED AT THE ANNUAL MEETING OF THE NATIONAL RURAL, ELECTRIC COOPERATIVE ASSOCIATION, FEBRUARY 13, 1971, DALLAS, TEX.

Whereas, while efficiency in government is highly desirable, there is no guarantee that dismembering the Department of Agriculture, as recommended by the Administration, and distributing the pieces among a few super departments mainly oriented to urban concerns is going to insure greater efficiency, and

Whereas, the Department of Agriculture has never officially been given the overall responsibility for the mission of rural development which it is obviously better suited to perform than any other existing or proposed department by virtue of its rural and farm orientation, its knowledge of rural people and its extensive local field operations, and

Whereas, in our judgment it would be more logical and practical to reorganize the USDA into an effective rural development department than to disband it as proposed by the Administration; now, therefore, be it

Resolved, That we recommend that the Agriculture Committees of the Senate and House immediately launch a thorough study for the purpose of devising a comprehensive, nationwide rural development program to be undertaken by the Department of Agriculture, identifying the additional components that the USDA will require and the components now existing which require expansion, and the changes or innovations in existing USDA that will be necessary to insure success.

Senator **HUMPHREY**. Senator Curtis, would you like to open up on the question of—Senator Dole has arrived and he has a statement. Would you like to make your statement?

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[1] (S. 1806, passed recently by the Senate, provides for these changes.)

Senator DOLE. I would like permission to have it inserated in the record following statements by other members of the subcommittee.

Senator HUMPHREY. Indeed. We will include it in the record.

(For statement, see p. 53.)

Senator HUMPHREY. Senator Curtis?

Senator CURTIS. Referring to your statement on page 10 near the bottom of the page, you state:

The single more important missing tool in the USDA rural development kit is the authority to finance job creating enterprises.

What kind of financing program would you recommend, Mr. Murray?

Mr. MURRAY. It is hard to say, to give the specifics, but it would be a program that would help finance new plants, factories, other commercial enterprises that would provide jobs for rural people.

Farmers Home has similar authority to make loans for water, sewer, and some other things, but what specific kinds of commercial enterprises this is, is something I am not prepared to say.

Senator CURTIS. Would you make loans to manufacturing companies that said they would establish a plant?

Mr. MURRAY. Yes.

Senator CURTIS. I think it is well at this point that we look to an apparatus that has worked very well in this regard. I refer to tax-free industrial development bonds used by our States.

In my State of Nebraska there are many rural areas that have not been successful yet. On the other hand, there are many of our country towns, where additional industry has been obtained. In quite a few of those instances—the local units of government have bonded themselves to build a facility, they then lease it to the industry over a long period of time in order to recoup their costs. This program was used in many States very successfully. I am told that in Mississippi where the program started it has brought many job-producing enterprises in areas where there was considerable poverty, in areas where many of our blacks needed an opportunity for employment.

During the Johnson administration—I do not recall just what year—the Treasury Department brought that program to a halt by a ruling that those bonds were no longer tax free. The finance committee acted favorably upon a proposal that I offered that restored the tax-free status of those bonds. When it went to the floor, however, we faced another attack. This one was somewhat unexpected. There was a proposal offered which would by statute eliminate these tax-free industrial development bonds. Much to our surprise, we lost it, the proposal carried and it carried because of the very intensive action by a few large unions.

They were opposed to a dispersal of industry into the rural areas and their lobbyists were just as thick as flies around here buttonholing everybody and we lost the vote.

Since then it has been brought up a time or two and the tax-free industrial bonds have been restored but only in a limited way. They ought to be restored at least to an amount of a limit of $10 million. This program has enabled local people to finance something that has resulted in jobs in rural areas. I know in my own State the program has been well run. One or two projects have had difficulties, but there is always some business having difficulty. But most of them have proven successful.

Do you have an opinion as to whether or not tax-free industrial development bonds could be used to a greater degree than they are now?

Mr. Murray. I, too, do not recall the details of what happened, but I thought that there was a $1 million limit put on them.

Senator Curtis. Yes, we had to accept that after we lost the battle on the floor. The only way we could get reinstated was to accept a $1 million limitation. And then it was later raised to $5 million. The present urging is that in light of present-day costs that this limit ought to be raised at least to $10 million.

We were put out of business. I say "we," the advocates of industrial development bonds largely by a few of the larger unions.

I think they ought to take another look at it.

Mr. Murray. It is true that in the beginning the tax-exempt industrial bonds gave many States quite an advantage and it resulted in attracting quite a bit of industry. But then many States passed legislation authorizing them. So the advantage more or less disappeared. But they did produce a great number of jobs, but I do not think that this would be a substitute from what we are recommending. We need a whole lot of sources of financing.

There is a lot of talk about community development banks, but probably what would happen is that since these community development banks have to make money, after a while they get worried about risks, and these industrial projects in rural areas are usually rather risky.

If you could combine a bank loan with a loan from a Federal agency with the Federal agency willing to take second position or take the soft part of the loan I think you would get more loans from the banks more and produce a lot more capital for rural industrial development.

Senator Curtis. You do not have an opinion as to whether or not this limit should be raised to $10 million?

Mr. Murray. I had not heard, is it $5 million now?

Senator Curtis. I think that is the figure now, yes.

Mr. Murray. I do not really have an opinion that it should be raised to $10 million. It would be my personal view that unless there were many projects which had been turned down and could not go because of this limit, then maybe they should take another look at it. But $5 million is a sizable amount and it should provide a great number of factories and other kinds of commercial establishments.

Senator Curtis. Well, the limitation, works out in a very harsh manner. For instance, they could not permit a concern that wanted to build a very large plant to have the $5 million in tax-exempt bonds and then finance the rest of it another way, because that would not help small business. So consequently, in order to qualify to come within the $5 million limit, they measured it by the fact that over a period of years—I believe it is 3—there was to be no expansion of facilities in excess of $500 million, including what they built then. If a company finds it is necessary to expand they have violated the condition as of a previous bond issue and retroactively those bonds would become passive. Just boxed them in, they do not have elbow room at all.

This program is a workable program. It is not weighed down with Federal red tape. It costs the Federal Government nothing. It adds nothing to the national debt. It is a use of the local credit to promote local industry.

A BUSINESSMAN'S VANTAGE POINT

TESTIMONY OF WESLEY W. WATKINS, EXECUTIVE VICE PRESIDENT, PERDUE INDUSTRIES, CHICKASHA, OKLA.*

You are probably familiar with the Arkies and Okies movement to California. I was a youngster at that time. My family made three different trips to California before the war and during the war trying to find employment. It was after the depression, of course; and in our area of the country people had not rebuilt and had not been able to pick themselves up by their bootstraps. And I did not realize at the time that because we were so poor that we were moving to "ghettos" in Oakland, Calif. But I went back and looking at our old apartments, and I realized that was exactly where we were living.

Also I might say that probably the deepest imprint on my mind today, and on my heart, is an experience I had as a youngster, 8 years old. I was living in this small rural community of Bennington, Okla., out on the family farm with my mother. One day in 1952 our neighbor came driving up in his pickup, up the long lane. His pickup was loaded down with all the furniture, his mattress, and so forth. He pulled up in front of our yard there and he hollered at me—his name was Mr. Hamilton—he said, "Wes, is your mother here"?

And I said, "Yes, she is."

I hollered for my mother. Out in the rural areas you do not get in trouble for hollering.

And I noticed that he had taken the chicken coops off of his pickup.

When my mother came to the front yard he said, "Mrs. Watkins, I would like for you to have these chickens. I am moving to California."

And I remember a remark I made to Mr. Hamilton at that time, because I knew his children very well, we were close friends, we worked in the fields together many times—I asked Mr. Hamilton this question, and I will never forget his answer: I said, "Mr. Hamilton, do you not like to live in Bennington, Okla.?"

And his answer, Senator, was this: "Wes, Bennington is a wonderful place to live, but it is a hell of a place to make a living."

Let me mention several things from research that I have done when I had the privilege, Senator, of being one of the first executive directors of an economic development district in Oklahoma. It was my privilige to serve in my great southeast part of the State. I enjoyed it very much. One of the things we needed most in southeast Oklahoma was homes. This was the main reason why I went into the homebuilding business. We must have more quality homes today if we are going to return people to rural America. Senator, people will not come back to an outdoor John, and I cannot blame them.

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*Pages 627-633—Hearing IV.

I did quite a bit of research and analysis of our area, and I would like to point out to you some of the problems and needs that we found. And incidentally, let me say this: I would like to commend the Congress, because they have seen and have acted on many of these.

One of the greatest needs, of course, is water supply. Through a great job by Farmers Home Administration, more water is available. This is one of the greatest development since rural electrification. And I think it will have as great an effect on America as rural electrification. One problem I have seen in this area of development is that I wish they would build their lines for future growth instead of just the population that is there right now. Many subdivisions are impossible to develop because they do not have the line large enough to serve this area.

But we are moving forward. And I would like to commend your committee and others that have done a great job here.

Sewage disposal systems are needed greatly. And I know that is true in your community of Alabama as well as in many of the communities of Oklahoma, Senator.

The third need that I would like to elaborate more on, Senator, if I may, is housing. Housing is something that will also help build a tax base for the schools. For instance, in the little town of Checotah, Okla., right outside of Muskogee about 20 miles, we have built something like 50 homes. I drove by there the other day, and I noticed they had some metal buildings erected as additional buildings to their schoolhouse. They have not expanded industry there in Checotah, but the people are living there and working in Muskogee and Fort Smith and other areas, in order for their children to be raised in this small community. It has created a little problem. But we have helped build a tax base, because those homes are going on the rolls as new homes.

Perdue Housing Industries has a great social conscience. Yes, we are interested in trying to help build our company, but we have a social conscience also. This makes the third or fourth trip I have made to Washington to discuss with Carl Williams here, of Senator Bellmon's office, and Congressman Carl Albert's office, and others, the needs and changes in regulations that would help build rural America and rural Oklahoma.

I am proud to say that it was our leadership that allowed the Farmers Home Administration to put into effect the packaging conception of housing. This was an idea from our company.

Also, our company was the first to propose the increase of Farm Home to serve 10,000 population. Now the question has been raised of increasing Farm Home population limits to $35,000. In talking to the Administrator of Farm Home about this several months ago, I encouraged at least 10,000, and possibly 15,000, or more. In many of these rural communities it is impossible, Senator, for a person to get financing for homes and other things, because they do not have savings and loan companies. Therefore, they have to turn to some other means of financing. And other means are not there.

Mr. WATKINS. That is correct.

Senator Humphrey also asked a question yesterday which I want to comment on: he asked, why is it that people cannot finance homes outside of the cities?

I think the Farmers Home has helped solve this problem to some extent. But savings and loans companies tell me this:

> We do not want to take the risk. We make all the loans we want to within 15- or 20-minute's drive from our office. Why go 100 or 150 miles?

Senator ALLEN. If they had a more liberal attitude it would help solve some of the problem, would it not?

Mr. WATKINS. Yes; it would. And when you get out into rural areas, if you are able to get a conventional loan, the poor farm family or the families in these rural areas have to come up with 20 or 25 percent to try to buy a home. It is usually an impossible task.

These are three things that our company, because we have a social conscience, has spent a lot of money out of our own pocket to get adopted.

Another thing that I think is needed—and which I like to recommend, if I may: There is a need for more Farm Home personnel. They are doing more than just the farm operating loans that you and I are acquainted with in the past. They are working with water districts, sewer districts, and many other facets of homebuilding. They are becoming more involved.

We have tried to help streamline the homebuilding program by using the packaging approach. Our company personnel fill out the application "package." We have relieved Farm Home and its clients of quite a bit of time. Before we started this service, it was evident to me that many potential homeowners did not know how to fill out the applications; and, therefore, they would say, to heck with the new home.

Another thing I would like to encourage would be at least a statewide standardization of appraisals for homes. In Oklahoma we have 77 counties. These 77 county supervisors are worked to death. They cannot keep up with the price of lumber, with the price of plumbing, the price of electricity. But we could set up in each State office a section for appraising so that they could appraise the construction materials in the home, send the application to the county Farm Home supervisor who could go out and look at the home building site and put a value on that. The two appraisals would be your value of your total home loan. Right now the county supervisor does all of this. I think if we take this one step this would relieve him of considerable time. Just like the packaging program: this is basic. But it could do a great deal in building homes in rural America.

Another thing that I would like to encourage would be to change the legislation to allow a higher priced home to be built in rural America—at least to the limits of what the Federal Housing is allowing in 235 right now in Oklahoma. We are not allowed to build a home in rural Oklahoma that is even equivalent in price to the Federal Housing 235, which is for the low-income people in the cities or towns who meet Federal Housing requirements. I think that is unjust to our rural people. And I would like to highly recommend that the minimum that Farmers Home looks at, at least be the extent of what Federal Housing is doing with 235; that is, going up to $18,500 for three-bedroom homes, and for four bedrooms to $21,000. Most of the home loans under Farmers Home are $14,000 or less. Also this is a key. I think, to helping build the tax base.

The fourth thing I would like to mention is that while Farmers Home has made giant strides in becoming more progressive across the Nation concerning subdivision developments, they are only able to make loans to nonprofit organizations for subdivision development. Senator, I have been into many rural towns talking to Lions Clubs and Rotary Clubs and Chambers of Commerce and so on. These people in nonprofit organizations do not have time to administer the development of a subdivision.

I wonder what is wrong with making the loan to profit organizations, if it will help build rural America? And I would like to highly encourage that this restriction be changed. I believe such a change would be quite effective in helping build rural America. I think the adoption of the regulation was well intended, but the implementation of it limits subdivision development.

And I would like to add at this time, Senator, that I think most of the bills passed by Congress for the people are great, but problems occur in the implementation of some of them.

Fifth, I would like to encourage passage of the bill that would increase the family income limits for homes in rural America through Farmers Home. Right now they cannot exceed an income of $8,000. Again, in many of these communities there is no place that they can get home financing other than through Farmers Home.

And sixth, I think one of the crucial things we need to encourage is an attitude change. This problem was discussed yesterday by Mr. Partridge of the Rural Electric. Farmers Home men are directly responsible for their performance, and this makes them ultraconservative about new ideas to help rural people. I would like to encourage that this be changed to allow a fidelity bond to be set up so they are protected against error, and held responsible primarily for fraud and dishonesty. I think this will allow these people that are in the field working with rural citizens to be of more service than what they are right now.

Another suggestion I would have—somewhat unrelated to housing, but in this area of development—is the need for manpower training in rural America. We have developed a Voc-Tech system in our area. And we have had to ask the people to train their people in order to be shipped out of the county for lack of available jobs—which is hard to get them to vote a tax for. But let me say this: In southeast Oklahoma I have asked this question: "Where are your loved ones?" And most people admit that their children and grandchildren have moved from southeast Oklahoma. So they voted a tax upon themselves in order to try to train their people. Even if we train them and some of them move away, it is better to send them trained and skilled for jobs in the city.

Eighth—and this is the last major recommendation I will make today—we need tax incentives for industry. I believe the Senate bill 2223 actually does this to a certain extent, but I would like to take it one step further: the tax incentive for industry that will expand in rural America. Also if they will hire and employ a percent—I use the figure of 20 percent—of the people from the hard core cities. This way we will disburse from the cities a lot of their problems, Senator. For instance, if we had an industry of 100 employees locating in my hometown and we used 20 percent of these from the cities—and a lot of these could be the loved ones from the area who would like to return. A training program should be set up automatically. These people could have better homes in their town than what they moved from in the city. So we could allow the tax incentive to the industry to come to the area, provide the venture capital, and also add to this an incentive to utilize 20 percent of the people who are in the hard core unemployment areas of the cities.

Getting names of persons wanting to relocate could be worked in easily. The unemployment office would only add two questions to their application: (1) Where do you consider your home to be? and (2) if we could find you a job there, would you like to go back?

This could be worked on a computer and sent out immediately to all these areas. And then we could bring back home a lot of these people who would like to come home here and raise their families.

Senator **Allen**. Not only stop the outmigration, but reverse it.

THE BOLEY, OKLAHOMA STORY

Maurice Lee, President, Lefac, Inc., Boley, Okla.*

Through an unofficial census taken by the Boley Chamber of Commerce in 1965, it was determined that Boley had a population of 476 people. This was Boley at its low point, which was some short 13 years ago. We had handcrank telephones, we had wood, propane and butane systems with exorbitant gas cost, no paved roads, no sewers, a dilapidated water system from which you were lucky to get water 2 hours a day during the hot summer months when you needed it most, no employment other than the school system and the State schools for boys.

Unemployment rates ran as high as 60 percent. The people had to go from Boley, commute to Oklahoma City, some 60 miles away. The median income was roughly around $1,300 per family. Eighty-three percent of the housing units were substandard and deficient.

These are the statistics of a town in a gripping heart attack, but it is more like a town after a gripping heart attack.

THE ROAD BACK

The Boley Chamber of Commerce was reorganized and the citizens of Boley rallied around this organization for its leadership.

As a town, we felt that in order to bring the town to life we had to provide the basic necessities, such as inexpensive sources of fuel, electricity, water, and good communications. Through the diligent work of the citizens of Boley and many other private, State and Federal organizations over 13 years, the following resulted: Incidentally, we do now have direct dialing as of this year; National gas fuel installation, which has lowered the fuel cost considerably; paved main street and school roads; school system second to none; water improvement and sewer system; improved street lighting; modern housing project, and, expanded industry.

We felt that the above had to be done before we could even hope to bring in industry from the outside or create one of our own from the inside. After these improvements, the problem became how to stabilize outflow of our talent. The answer was to provide jobs.

Our agribusiness had undergone a change from cotton to cattle. Where 80 to 160 acres once supported a family of eight, it now takes 1,000 acres to support a family of six. This is based on the formula of 3 acres to support one cow. Of course, this is generalization, but it quickly told us we needed industry of some sort which could provide many jobs per acre to help absorb those whom the farms could not support. For, using the above formula and the fact that less than 23,000 acres lies in Boley trade area, only 23 families could live in the comfort and style of the 1970's.

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*Pages 51, 52, 53, 54, and 55—Hearing V.

LEEFAC, INC.

The formation of Leefac, Inc., was exorably intertwined with the efforts to halt the decay of the town of Boley. M. W. Lee Manufacturing Co. was founded in 1961 to manufacture a new unique barbecue unit when M. W. Lee, Sr., operator of a small appliance store invented a new process of barbecuing meat. This process was developed from his idea by placing an electric skillet into a pressure cooker along with wood and meat and placing this into this unit. The wood then placed on the skillet charred and created a smoke. Then the pressure forced the hickory flavor all through the meat. It gives a flavor of the old-fashioned pit.

M. W. Lee, Sr., has been granted several patents on his invention.

Shortly after starting the company, my brother, and we have reiterated the point that people go where jobs are, but sometimes we have to go back and create jobs in order to hold the talent and the young people in the town, and I would like to charge, and I am sure that many of you students will go back to your hometowns and help alleviate the conditions which you find there rather than going out to the golden promises held in the cities for more pay. And I think the golden promise will be in the rural towns because of people like the Senators here who are interested in rural development.

In 1968, the cooker was becoming nationally known as a result of the advertising in national trade journals and appearing in the national restaurant shows several times.

At this time, the Lees decided to concentrate their efforts on chain restaurants. In a demonstration to Bonanza International, a chain of steakhouses, the officers of the company were so impressed with the Smokaroma units, they wanted exclusive rights to it. Bonanza acquired Lee Co. One of the provisions of the acquisition was that the manufacturing operation remain in Boley. So Bonanza agreed to this, and in this way we are able to enlist the active assistance of a substantial corporation on our war on poverty.

A few months after the merger, it became apparent that we could produce more cookers than Bonanza could use, so in order to utilize the other talents in this company, Bonanza decided to build furniture for their stores. A factory was necessary. They enlisted the help of Okfuskee County Industrial Foundation by getting them to finance a $150,000 bond issue. This was later increased to $175,000.

The Oklahoma Industrial Finance Co. also kicked in another $37,400 for fixed commitments, bringing the total commitment up to $212,500, with which we were able to build a new building and equip it for furniture manufacture.

With the new plant in sight, attention turned to supply a labor force for the company's expansion to furniture manufacturing. The State of Oklahoma stepped forward to provide a training program at Oklahoma State Tech in Okmulgee, Okla. The Federal Government also granted an OJT program coupled with the State program.

The Oklahoma State Employment Service also tested the applicants and aided in selecting the best qualified for millmen and furniture upholsterers. In school, these trainees did remarkably well. One instructor remarked upon the completion of the 16-week course, "Most of them did better than some students who have taken the 2-year course." One of the most gratifying results is that of 15 hard-core unemployed, many of them young adults—and almost everyone in Boley is a hard-core unemployed—many of them adults who had never held a regular job, and only one dropped out of the training program.

Early in 1970, because of tight money and the change in Bonanza International management, it was decided, with regret, that M. W. Lee Manufacturing Co.'s operations should be shut down. The new furniture operation had not had time to develop markets to keep afloat, and since the cooker had been taken off the market, we were kind of left high and dry.

However, at this time, the Government began to focus its attention on 8(a) contracts, with emphasis on supplying these contracts to minority companies. Leefac, Inc., was organized to secure both an 8(a) contract and certain assets of the M. W. Lee Manufacturing Co. In its organization, the Lee brothers combined with two other stockholders. UCC Venture Corp. and Phillips Industrial Finance Co. These are two minority enterprise small business investment corporations sponsored by University Computing Co. of Dallas and Phillips Petroleum Co. of Bartlesville. They helped to provide equity capital, and they, along with the Small Business Administration, also provided loans to provide the other working capital.

In October 1970, Leefac did acquire that 8(a) contract for manufacturing 15,600 household crates over a period of 1 year. It was the largest contract of this size that was ever granted by the General Services Administration. Leefac, Inc., acquired M. W. Lee Manufacturing Co. and moved into its recently completed plant and began production of these boxes.

The company, pleased with the past performance of its trainees, applied and received additional training from the Oklahoma State Department of Vocational and Technical Education. It also received additional training help through the National Alliance of Businessmen in the form of a Jobs 70 program. There were 10 trainees enrolled in this program.

As a result of the quality of this product that these employees produced, Leefac, Inc., has been put on a quality assurance program. This makes it unnecessary for Federal inspection of each shipment, which was done initially. It was reported by General Services Administration that it believed that Leefac was the first 8(a) contractor ever to be placed on this program. Leefac, Inc., has a perfect record in its performance of the contract. It has proven that it can produce a quality product. It has proven it can do it in quantities, and it has proven it can deliver the product on schedule. It has also met all its financial obligations with its suppliers and lending agencies. Thus, Leefac, Inc., has established an enviable credit rating of prompt and discounting.

ECONOMIC IMPACT ON THE COMMUNITY

Leefac, Inc., now employs 35 people in the county. It contributes directly in payroll approximately $150,000 per year. This, coupled with the other improvements, have made a tremendous change in the community. Some of the cold statistics are: The unemployment rate in 1965 was 60 percent, now about 20 percent; the median income, $1,300, now about $2,300, or roughly about 80 percent up; and substandard housing is down to 50 percent.

Now, these are the cold statistics, but translated into human values, we see new cars, new homes. Where there was despair and resignation, we now see hope and faith and enthusiasm, and a difference in the spirit of the town and the people themselves.

Now, while these figures show a dramatic increase, they are still way below the State and the national norms and must be substantially improved. While the story of Leefac, Inc., presents an optimistic view of its future, it would be naive to believe it is in a stable and secure position. It still needs a great deal of help.

For example, another 8(a) contract is needed now to permit it to survive another year while developing outside markets. In spite of its almost perfect performance record, no contract seems to be in the offing as of this writing.

While we are enthusiastic about the town of Boley and its progress, we would be naive to believe that it has reached the point of self-sufficiency. We still need a great deal of help.

We need new city buildings, new school facilities, parks and recreational facilities, more industry, access roads.

Some of my recommendations are as follows. And since our community is predominantly black, much of what I say will be black oriented. These recommendations apply to agribusiness problems in our area as well as industrial problems.

First, I would recommend hiring more black technicians and field representatives in all departments of the Government and especially in those pertinent to rural and small business development.

Second, I think that bigger risks need to be taken, and when I say risks, I mean risks in quotation marks, most often—well, that is, the old conservative yardstick needs to be changed to apply to people who cannot measure up. In your rural community, the very people who need the help are the ones who are rejected by these conservative measurements.

It was noted with interest in the August 28 issue of Business Week, larger businesses are finding that testing methods ofttimes promote a good worker to a position where he makes a poor supervisor. A new system of assessment was instituted called the assessment centers. In one case, a person who had no college training and never worked in an office was promoted and made an excellent middle-management supervisor. A Department of Labor project was cited where a group of 250 blacks and Indian trainees were put through conventional written tests and then put through an accessment center. The conventional test showed promotion potential in only 15 percent of them. Assessment found it in 50 percent of them.

I am saying that we need to apply some sort of Assessment Center to our measurement of people in need of help.

Third, a system to accelerate funds and other assistance to cut red tape. The sheer burden of filling out forms and the time consumed in waiting for the fulfillment often makes a man despair of help. Many times it comes too late for the help applied to do any good by the time it comes.

Fourth, more money needs to be made available to smaller towns in the form of renewal programs, and here I had in mind more or less renewal of the downtowns, city hall, roads and things like that. There seems to be plenty of money available for housing and this sort of thing, but none for city complexes.

I think more benefits, and I think this has already been covered, need to be made to businesses to encourage them to locate in rural areas. One thing that we have found is that our insurance rates are terrifically high because of—well, our town is not able to afford adequate fire equipment and we are in Class 10, which is the highest rate or highest class there is.

More on 8(a). Since the bulk of government business is not let by competitive bidding, but is negotiated and is on a cost-plus basis, it is recommended that the prime contractor be required to set aside a percentage of this business to 8(a) contractors.

Seventh, better methods of communications to make known to an 8(a) contractor or potential 8(a) contractor information regarding 8(a) set-aside contracts.

One other thing, and I did not include this in my written testimony. I had not presented it to you, Senator Bellmon, because this information just came to me this morning, and I would like to read it. This is in regard to our attempt to—well, first, to renew our existing contract and then, second, after we were told we could not renew it, to try for other contractors, and we had written our local SBA office and then one of our directors wrote the regional office in Dallas and this information was called back to me today, so I do not have a copy of the letter really, but this is a direct quotation of a letter from SBA to our director, which was Walter Durham of VCC Venture Corp. in Dallas.

> Despite continued efforts, we have been unable to locate suitable requirements for an additional contract for LeeFac. Our national office has been unable to obtain the kind of cooperation from the procuring agency which is essential to the 8(a) program. We have actually done harm to some businesses in that, following an initial contract, follow-up support was not available. This resulted in the financial ruin to those whom we were attempting to assist.

My recommendation No. 8 is in regard to this statement, I think it is a sad thing that agencies cannot cooperate. I think this program, this 8(a) program, could be a terrific program as applied not only to small towns, but to minority contractors all over the United States in larger metropolitan areas as it is being done now. But I would like to see the program investigated and some method of eliminating petty jealousies or interagency rivalry, or whatever exists.

I do not know what the cause is. I know that we have not been successful in renegotiating another contract.

CONGRESSIONAL OVERSIGHT AND AGENCY RESPONSE

Congressional Oversight

The Subcommittee on Rural Development inherited a major responsibility for oversight of Federal agencies as a result of Title IX of the 1970 farm bill, which became part of the law just weeks before the subcommittee was established.

Title IX requires that the White House, and those agencies which are affected, present five annual reports to Congress, reflecting the condition of rural America.

Generally, these reports arrived late and were not responsive to the demands of Title IX. The reasons for this seemed to be that the requirements of the law implied that the agencies provide vast amounts of information, collected in forms in which it had not previously been compiled. In addition, the narrowness of the time factor between passage of Title IX and the dates when the first reports were due, probably had much to do with the unresponsiveness of the agencies.

It is hoped and presumed that ensuing efforts will be more complete.

It should be added here that section 901(a) of Title IX, which stipulates that priority must be given to rural areas in the location of new Federal facilities, was watered down at the request of the Office of Management and the Budget.

The legislation as signed by the President now calls for giving such priority to rural places "insofar as practicable." This effectively sterilized the effectiveness of the law as rural location of new Federal facilities is concerned.

Excerpts from three of the five Title IX reports are included at this point in the report for the purpose of imparting some information on Federal efforts.

REPORT ON GOVERNMENT SERVICES TO RURAL AMERICA*

Selected examples of successful efforts to expand the availability of Federal programs to rural people, taken from statements by agenices, are as follows:

USDA rural housing loans in FY 1970 increased 50 percent over the 1969 level for a total of $663 million in non-SMSA's. Projected level for FY 1971 will be over three times the 1969 level.

Food stamp program began operation in 230 non-metropolitan project areas during FY 1970 in rural areas. An additional 228 rural counties were scheduled for operation during FY 1971.

Non-metropolitan area planning grants for HUD increased from the $1.2 million provided for 57 districts in 1969, to $2.7 million for 122 districts in 1970; $5.0 million is planned for 150 districts in 1971.

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*First annual report submitted to Congress pursuant to Section 901(e), P.L. 91–524, the Agricultural Act of 1970, dated March 1, 1971.

Sixty percent of HUD public facility loans during FY 1970 were approved for projects in non-metropolitan communities.

The Employment Service established 21 smaller community program offices during FY 1970 which operated in 19 States serving an average of three rural counties in an effort to bring more effective employment services to rural areas.

OEO made legal services grants of over $6.5 million during FY 1970 under a growing legal aid services program for non-metropolitan areas.

Neighborhood health services are receiving increasing attention in rural areas. By April 1970, 14 projects were under way testing differential comprehensive health care system models in non-metropolitan areas. Federal outlays during FY 1970 for neighborhood health centers in predominately non-metropolitan areas totaled $8.2 million.

Of the 65 public library construction projects approved during FY 1970, 37 were in areas of less than 25,000 population.

Of the 40 non-commercial educational and radio stations which received Federal grants totaling $5.4 million during FY 1970, more than half were awarded to stations in non-metropolitan areas.

About three-fourths of the $61 million in loans and grant outlays provided under programs of the Economic Development Administration during the first half of FY 1970 were utilized in non-metropolitan areas.

About half of the Federally administered projects under the Vocational Education-Innovation Program were focused on young people in non-metropolitan areas.

Of the 78 current Teacher Corps projects, 35 percent assist school districts in non-metropolitan areas including Appalachia, the Ozarks, migrant areas in several regions, and Indian populations in six States.

Higher education—work-study and cooperative education grants for institutions in rural areas increased by about 20 percent in FY 1970.

About three-fourths of Appalachian demonstration health project grants were utilized in non-metropolitan areas during FY 1970.

Of the total of $233 million in hospital construction grants under the Hill-Burton program for FY 1970, about 47 percent were utilized in non-metropolitan areas.

Of the 764 full-year programs under Project Head Start approximately 40 percent are rural.

Under the Aid to Families with Dependent Children Program special emphasis has been given to recruit staff for rural areas. In the southern States, about 50 percent of these programs serve a predominantly rural population.

Rural electrification and telephone service has been given a boost by actions of this administration in support of creation of a new private electrification bank (National Rural Utilities Cooperative Finance Cooperation), and its proposal for creation of a mixed ownership telephone bank. (This proposal was approved by the Senate during the last session of the Congress.) The former will provide supplemental financing to electrification borrowers of about $50 million during FY 1972. The telephone bank would provide added loans of about $94 millon during 1972.

Despite the progress made in extending the services of Federal programs to rural people, much remains to be done in improving this outreach, especially for some of the manpower, education, health and other human resource programs. Such efforts are underway: for example, there has been increased effort in the Department of Labor in the past year to extend manpower and other services to rural residents. Two programs in particular, Operation Mainstream and the Smaller Communities Program appear to have provided rural outreach.

The data in the attached tables reveal that rural areas are receiving about the same proportion of program outlays, overall, as their share of national population. They receive more than their proportionate share of outlays of selected programs of USDA, USDC and SBA, but less overall of health, education, labor, HUD, Interior, Justice and OEO program outlays. These results vary widely across States.

Major increases in Federal outlays in fiscal year 1970, as compared with fiscal year 1969, occurred in non-SMSA areas for most of the selected programs, (Table 2.) These increases were especially significant in the case of rural housing, manpower development and training programs of HEW, construction grants for waste treatment by the Department of Interior, and most OEO programs.

The purpose of the SMSA-non-SMSA breakdown of the data is to compare program outlays with population distribution. Such comparisons, however, require careful interpretation. The distribution of any given Federal program may not be directly proportional to the population for a number of reasons. First, the intended beneficiaries of the program may not be uniformly distributed geographically. Some beneficiaries may be more costly to serve than others and, therefore, the funds may not be distributed uniformly even though the benefits deriving from them may be so distributed. Also, the cost of delivery to some people, due to isolation or other causes, may be prohibitive. Some programs have statutory limitations which restrict them to certain geographical areas or sizes of cities. Additionally, the reported point or county of delivery of Federal funds may not be the ultimate destination of the financial assistance. Despite these limitations, the data do indicate, generally, availability of Federal program services to rural people.

This report highlights some of the Federal program improvements that have been and will be made in non-metropolitan areas. It also indicates that there are certain difficulties which remain to be overcome in attaining the desired levels of economic and social development in non-metropolitan areas. While final attainment of these development objectives will not be an easy task, it is a task on which major strides forward have been made, and to which this Administration is firmly committed. With dedication and perservance by all levels of Government, these objectives *can* and *will* be attained.

LOCATION OF NEW FEDERAL OFFICES AND OTHER FACILITIES*

GOVERNMENT WIDE SUMMARY

Number of agencies with reportable actions during the period November 30, 1970 through June 30, 1971	10
Total number of new facilities located	555
Breakout by agency of new facilities:	
Department of Agriculture	80
Department of Commerce	10
Department of Defense	60
Department of Health, Education, and Welfare	12
Department of the Interior	16
Department of Justice	1
Department of Labor	67
Department of Transportation	20
Tennessee Valley Authority	3
General Services Administration (Acquired for):	
Department of Agriculture	26
Department of Commerce	2
Department of Defense	122
Department of Health, Education, and Welfare	23
Department of Housing and Urban Development	4
Department of the Interior	26
Department of Justice	8
Department of Labor	13
Department of Transportation	7
Department of the Treasury	24
Environmental Protection Agency	6
Executive Office of the President	6
General Services Administration	4
Government Printing Office	1
National Aeronautics and Space Administration	1
Selective Service System	2
U.S. District Courts	3
Congressional Acquisitions	4
Miscellaneous	4
Total GSA Acquisitions	286
Number of offices or facilities located in areas of low population density (see Definitions)	225
Number of employees involved	8,119
Number of offices or facilities located in areas of high population density (see Definitions)	330
Number of employees involved	4,913
Percentage of new facilities located in areas of low population density	40.5
Percentage of new facilities located in areas of high population density	59.5
Total number of employees involved	13,032
Percentage of employees involved at facilities located in areas of low population density	62.3
Percentage of employees involved at facilities located in areas of high population density	37.7

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*First annual report submitted to Congress pursuant to Section 901(b), P.L. 91–524, the Agricultural Act of 1970, dated September 1971.

REPORT ON ASSISTANCE FURNISHED BY THE DEPARTMENTS OF AGRICULTURE AND HOUSING AND URBAN DEVELOPMENT FOR NONMETROPOLITAN PLANNING DISTRICTS IN FY 1971 *

SUMMARY

As of June 30, 1971, 38 states had officially delineated substate planning and development districts for all or most geographic areas. Of the 473 districts included in these 38 state systems, approximately 55 percent had some type of organization, generally consisting of a policy board and an operating staff.

Principal responsibilities of these district organizations are comprehensive and functional planning; coordination of planning done by units of local government and other organizations within the area; technical assistance to local governments in planning and administration; and review and coordination of certain Federally-assisted projects.

Major recommendations were made to the Congress in FY 1971 to provide additional funds for the improvement of the planning and management function of state and local government, to give these units of government more flexibility in using Federal assistance to translate plans into priority action programs, and to encourage planning and development on an areawide basis.

Department of Housing and Urban Development policy is to increase state participation in the administration of the comprehensive planning assistance (701) program and to encourage planning by areawide organizations for both metropolitan and nonmetropolitan regions. Forty-five percent of the $50 million HUD made available to states and localities for comprehensive planning in FY 1971 was for areawide organizations. Of this amount, $3.4 million in grants were made for 155 nonmetropolitan planning districts, including Economic Development Districts, in 34 states. (This compares with $2.8 million for 131 districts in FY 1970 and $1.4 million for 61 districts in FY 1969.)

Most areawide planning agencies, including nonmetropolitan districts, also received financial support from a variety of Federal functional asistance programs, e.g., planning for air and surface transportation needs, community facilities, health facilities and services, and law enforcement. It is estimated that funds available in FY 1971 through these and other functional programs for areawide planning were about three times the amounts received by regional agencies through HUD comprehensive planning assistance.

On the average, regional planning and development agencies received about 60 percent of their funds from Federal grants, including functional planning assistance. The remainder was derived from state and local contributions.

The Secretary of Agriculture in FY 1971 issued guidelines to state Rural Development Committees to increase the participation of state planning agencies in the work of the committees and assure coordination between the Agriculture Department and the planning agencies in designating nonmetropolitan districts and assisting in their organization.

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*This report is submitted to the Congress annually pursuant to Section 901 (c), PL 91-524, the Agricultural Act of 1970. The initial report was submitted in November 1970.

The Department and cooperating state agencies, such as the extension services of the Land Grant Colleges and Universities and state forestry departments, provided as estimated 258 man-years of technical, management, and educational assistance to states and nonmetropolitan districts funded by HUD. Department personnel also assisted in the programs of a variety of other local planning agencies, including metropolitan councils of governments, Economic Development Districts, and regional planning commissions.

In FY 1971 the Department also: (1) inaugurated pilot programs in five states to test improved methods of working with district agencies on common development plans and programs; (2) expanded the Resource Conservation and Development program to additional areas and took action to relate boundaries and work programs to those of state-designated districts; and (3) increased cooperation with nongovernment organizations assisting in district planning.

STATE ORGANIZATION OF PLANNING DISTRICTS

Influenced by the need for increased cooperation among local jurisdictions on planning and development matters that are regional in scope, the growing importance of integrated state planning, and Federal policies and program requirements, an increasing number of states have adopted a substate regional approach to planning, development, and program coordination.

As of June 30, 1971, 38 states had taken official action to delineate a system of planning and development districts for all or most geographic areas. A total of 473 districts were included in the 38 state systems. For those states where counties (rather than townships) are the building block units, the districts averaged slightly more than 6 counties.

Fifty-five percent of the delineated districts have an organization, generally consisting of a policy board (or commission) of local elected officials representing the area and an operating staff. Some state-designated districts are coterminous with the geographic area of a regional planning commission, Economic Development District, council of governments or other multijurisdictional unit organized prior to statewide districting. The existing areawide agency may then become the operating agency for the state-designated district.

In approximately 20 states, these districts are now an important means of providing planning services, coordinating project assistance, strengthening local government, and assisting in state program administration. In 18 additional states, districts have been delineated and planning agencies are being established in those where public opinion and other factors are favorable. In the remaining states, no plans have been announced as yet to develop a system of districts, although individual regional planning organizations are operating.[1]

PROGRAM EMPHASIS OF DISTRICT AGENCIES

Programs of substate district agencies are shaped by several factors. Of particular importance are financial resources available for staffing, critical problems of the area that may require immediate attention, the interests of local public officials, state programming, and Federal planning and related administrative requirements. However, the work programs of most agencies usually include the following:

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[1] Appendix A: *State Action Toward Establishment of Substate Districts.*

Comprehensive Planning.—Conducting a continuing program of planning for the basic physical, economic, and social needs of the substate region, with particular emphasis on functional building blocks of a regional comprehensive program, such as transportation, water quality, housing, health, vocational education, industry development, etc.

Planning Coordination.—Promoting coordination among the many different planning activities going forward in the region that may be sponsored by local general purpose governments, special districts, state and Federal agencies and others.

Technical Assistance.—Providing local governments in the area of the district with planning services and management advice and helping these governments cooperate to increase efficiency and reduce administrative duplication and overlap within the region.

Clearinghouse Reviews.—Serving as the clearinghouse for the review and coordination of selected Federally-assisted programs and projects.

District planning and development agencies are mainly advisory. They lack such normal governmental powers as authority to tax, to administer land use controls, and to exercise the police power, and such responsibilities as the direct operation of public facilities. To implement their plans, proposals, and decisions, they rely principally on elected representatives of local governments in the area and the cooperation of Federal and state agencies. Their legal basis is either a specific enabling act passed by the legislature for the purpose of establishing substate planning and development districts, as in Minnesota, Virginia, Missouri, and Texas, for example, or general purpose planning statutes that permit local jurisdictions to enter into a compact for regional planning and related purposes.

RECOMMENDATIONS TO IMPROVE STATE PLANNING ADMINISTRATION

In FY 1971 several important recommendations were made to provide additional Federal funding for the improvement of the planning and management function of state and local government, to give these units of government more flexiblity in using Federal assistance to translate plans into priority action programs, and to encourage planning and development on an areawide basis.

The special revenue sharing proposals of the President now (September 1971) before the Congress would increase funds available for comprehensive planning by states, localities, and regional agencies and would enable them to improve management services critical to successful plan implementation. A provision is included in the rural revenue sharing proposal requiring planning by states and substate districts.

Over and above the specific revenue sharing provisions, the general principle of giving state and local governments discretion within a broad categorical area as to how and for what they spend the Federal funds provided should strengthen the hand of the governors and their staffs in improving state planning and supporting substate regional agencies.

Included in the urban revenue sharing proopsal is a new program of planning and management assistance to states, areawide agencies, and localities that would take the place of the present comprehensive planning assistance program administered by HUD. Under the proposal, $100 million would be used for grants to help state and local governments build up their capacity to govern effectively. The proposal places new emphasis on the creation of a comprehensive management process and ties together planning and plan implementation.

HUD would be able to increase its present assistance to states in providing leadership and technical services to local governments in preparing and carrying out plans. Such assistance is made available either directly by the state or by areawide agencies (districts) designated by the state. Under the planning and management assistance program, states would also be expected to help local governments and areawide agencies initiate and prepare plans and meet other special revenue sharing program requirements.

The President in FY 1971 also recommended legislation to provide $100 million over a five-year period to encourage the states, in cooperation with local governments, to assume land use planning and regulatory authority over critical environmental areas, i.e., wetlands and flood plains, and lands around key transportation facilities, large scale developments and surrounding new communities. District planning agencies established and supported by the state would have an important role in the administration of this program, since many of these critical land use issues cut across the boundaries of local jurisdictions.

In his message transmitting to Congress the Council on Environmental Quality's first annual report (August 1970), the President said, "The problems of urbanization, of resource management, and of land and water use generally can only be met by comprehensive approaches which take into account the widest range of social, economic, and ecological concerns. I believe we must work toward the development of a national land use policy to be carried out by an effective partnership of Federal, state, and local governments together and, where appropriate, with new regional institutional arrangements."

Office of Management and Budget Circular A–95* is aimed at encouraging intergovernmental planning and project review and enabling states to establish machinery to coordinate Federally-assisted planning and development. In February 1971 a revision of the circular was released to include environmental impact provisions and broaden the scope of the circular to cover additional Federal programs, particularly those of HUD.

As of June 30, 1971, governors of 30 states had designated 170 substate regional clearinghouses under the OMB procedure to review project proposals of subjurisdictions seeking financing. Regional clearinghouses serve principally nonmetropolitan areas. In addition 208 metropolitan clearinghouses also were designated. A total of 1,690 counties now are included in both metropolitan and regional clearinghouse areas. In most cases, agencies serving as clearinghouses for the evaluation, review, and coordination of Federally- assisted programs are also the designated substate planning districts for the area.

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*This OMB Circular implements Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966; the Intergovernmental Cooperation Act of 1968; and the National Environment Policy Act of 1969.

Coordination of comprehensive and functional planning at the state and district level is a principal objective of the OMB circular. Federal agencies are required, whenever possible, to use state-designated planning and development districts in administering areawide planning requirements connected with certain programs they fund.

It is also OMB policy to work with the 10 Federal Regional Councils in aligning geographic boundaries of Federally-assisted planning areas with those of state-designated planning and development districts.

HUD POLICIES PROMOTE AREAWIDE PLANNING

Addressing the U.S. Conference of Mayors in June 1971, the Secretary of Housing and Urban Development said, "We must place increasing emphasis upon approaches that will enhance the inherent, inextricable unity of the real cities or metropolitan areas—and that will enable them to become increasingly viable and sufficient in their own right. This puts new emphasis on metropolitan and areawide planning, action, and development."

HUD instructions for administration of the comprehensive planning assistance (701) program were revised late in FY 1971 to place increased emphasis on areawide planning for both rural and urban areas and improve coordination among the many different planning programs of local governments.

The new instructions point out that comprehensive planning enables state and local governments and area-wide organizations to formulate and coordinate community development strategies and management decisions. Among the major planning goals described is orderly physical growth through planning and development on a state and areawide basis, including effective linkages among jurisdictions within an area.

A principal activity eligible for HUD funding is State technical assistance to local governments and areawide agencies, including assistance in setting up a planning agency for a substate district.

HUD is encouraging planning agencies, including those serving multicounty areas, to build in-house staff capabilities. Agencies assisted with 701 funds must demonstrate they employ a staff adequate to carry out the proposed program. In line with OMB Circular A–95, cited previously, the HUD instructions point out that, "Where the state has established substate planning and development areas or districts, the boundaries of the proposed areawide planning jurisdictions (to receive a grant for comprehensive planning) should conform to the state-designated areas."

HUD also tries to maximize the participation of local government officials in the policy direction of planning programs of area and district organizations assisted. Under the revised HUD instructions, at least two-thirds of the governing board of the organization must be local elected officials or their representatives. These officials must represent at least 75 percent of the area's population. Membership in the organization must also be open to all units of general local government within the multicounty area served.

In part, because of the growing emphasis on substate regional planning and programming in connection with Federal activities and in part because of the increased state and local interest in organizing substate districts for regional programming, HUD has sharply increased funding of nonmetropolitan districts in the past three fiscal years, as well as of other areawide planning programs. Approximately 45 percent of the funds made available for comprehensive planning in FY 1971 helped support the programs of areawide planning organizations.

Rural Revenue Sharing

In 1971, President Nixon had introduced a Special Revenue Sharing bill for rural community development. Since this approach was innovative and somewhat different in form from previous attempts to assist rural development, the Subcommittee held extensive hearings on the legislation (S. 1612). In addition, the subcommittee prepared 282 questions for response from the Department of Agriculture, the Department of Housing and Urban Development and the Treasury Department.

The response was careful and thorough. It provided a wealth of information on how the application of rural revenue sharing would affect the people of the countryside.

Following is a small portion of this material:

1. IMPACT ON NATIONAL BALANCED GROWTH POLICY (TITLE IX OF AGRICULTURAL ACT OF 1970) OF PRESIDENT'S REVENUE SHARING AND REORGANIZATION PROPOSALS

Please provide for the Record an estimate of the effect upon farm family income of adoption of the rural revenue sharing proposal. Will the contemplated program tend to increase or decrease the income of a typical adequate commercial family-type farm?

Secretary Hardin. The rural revenue sharing program is designed to give decision-makers closest to problems the means to solve problems. It is not designed to assure an adequate food supply, nor to maintain or improve farm income. National programs with those objectives will be maintained.

It is possible that local decisions might affect farm income under the revenue sharing proposal. The program would be expected to be neutral with regard to farm income, even though it would be of general benefit to the farm and rural population.

Do you visualize the rural revenue sharing proposal as having any effect in improving the bargaining power of farmers and ranchers in the market place?

Secretary Hardin. Not directly. The program is not designed for this purpose and is not expected to have a significant effect on farmer bargaining power.

What effect will rural revenue sharing have on the prices and incomes received by the farmers?

Secretary Hardin. It is not expected to have a significant direct effect.

RURAL-URBAN BALANCE

In further exploration of Secretary Connally's reply to Senator Bellmon on page 71 of the transcript: In terms of the rural areas getting a fair share, it is the purpose of Congress, as expressed in Title

IX of the Farm Act last year, and in Title VII of the Housing and Urban Development Act of last year, and as expressed in numerous messages and statements by the President of the United States, that the Nation should undertake policies to bring about a more uniform geographic distribution of population, jobs, and economic opportunities in this country. Would the Administration approve the balancing up of the rural revenue sharing dollar amounts in comparison with the funds provided for urban community development so that such better balance would help reverse the trend of outmigration from rural areas?

Secretary **Hardin**. A major purpose in the revenue sharing proposals is to provide an equitable distribution of funds for community development between rural and urban areas. Because rural communities now lag the urban areas in effort and resources for this development, the balance provided by the revenue sharing proposals will, in fact, contribute to the rural development objective of a more uniform geographic distribution of population, jobs, and economic opportunities. We do not believe a balancing of rural and urban revenue sharing funds into equal sized shares is necessary for accomplishing this rural development objective.

However, the legislation proposed by the President does *not* limit the annual amounts to be appropriated. The rural development revenue sharing bill authorizes appropriations in such amounts as may be necessary. If experience indicates a need for altering the balance or totals proposed for FY 1972, this can be dealt with in the annual budget and appropriations process as necessary.

How were the round figures of $2 billion for urban revenue sharing and $1 billion for rural revenue sharing arrived at? If the Congress's and the President's purpose in encouraging rural development is to reverse the flow of migration so as to reduce the proportion of urban and increase the proportion of rural population, is it your feeling that a more nearly equal distribution between urban and rural revenue sharing might serve as a stronger incentive to population redistribution than a division based upon the present population pattern?

Secretary **Hardin**. The round figures of $2 billion for urban revenue sharing and $1 billion for rural revenue sharing were arrived at through consideration of equity and the funding of present programs with rural and urban orientation which could logically be "folded-into" the revenue sharing proposals. The response to the previous question is relevant to the remaining portion of this question.

Is there anything in the rural revenue sharing proposal to prevent a State, if the Governor chose to do so, to accept his full pro rata share of rural revenue sharing funds and to reduce the present level of expenditures of his State Government for rural development purposes by an equal amount?

Secretary **Hardin**. With the exception of the provision requiring that an agricultural extension program comparable to that for FY 1971 be maintained, the State could reduce present level of expenditures for rural development purposes by an equal amount.

It would be helpful to the Subcommittee in evaluating the rural revenue sharing proposal, if you could supply for the Hearing Record tabular material indicating for each State: (a) the percentage of population that is rural, by your definition; (b) the percentage that the

6

rural revenue sharing payment to the State would be of the total of the proposed general and special revenue sharing payments to the State.

Secretary CONNALLY. The table follows:

PERCENTAGE OF RURAL REVENUE SHARING

State	Population [1]	Payments [2]	State	Population [1]	Payments [2]
Alabama	59.0	10.6	Nebraska	58.1	11.3
Alaska	100.0	5.6	Nevada	100.0	6.8
Arizona	45.3	5.4	New Hampshire	72.7	9.7
Arkansas	80.9	14.5	New Jersey	23.1	3.0
California	20.2	1.9	New Mexico	67.7	9.8
Colorado	33.7	5.6	New York	15.0	3.0
Connecticut	17.7	1.9	North Carolina	66.2	12.0
Delaware	29.6	3.4	North Dakota	100.0	15.1
District of Columbia			Ohio	24.0	5.6
Florida	32.0	4.5	Oklahoma	60.5	10.6
Georgia	50.3	10.4	Oregon	58.6	6.4
Hawaii	18.1	2.5	Pennsylvania	21.8	6.0
Idaho	84.2	12.3	Rhode Island	16.1	2.6
Illinois	21.8	4.4	South Carolina	66.4	12.3
Indiana	42.2	6.8	South Dakota	85.6	14.2
Iowa	67.9	13.8	Tennessee	52.1	13.6
Kansas	59.4	11.4	Texas	36.2	6.1
Kentucky	61.1	23.4	Utah	35.4	6.1
Louisiana	48.7	7.5	Vermont	100.0	10.5
Maine	78.3	13.6	Virginia	42.9	7.6
Maryland	15.7	4.6	Washington	34.0	4.8
Massachusetts	15.3	1.6	West Virginia	70.9	35.8
Michigan	24.4	3.5	Wisconsin	44.1	7.5
Minnesota	50.1	9.8	Wyoming	100.0	13.7
Mississippi	84.2	15.5			
Missouri	38.6	8.8	U.S. total	35.7	7.0
Montana	100.0	12.0			

[1] Population of rural revenue sharing areas as a percent of total population, 1970.

[2] Rural revenue sharing payment as a percent of total proposed general and special revenue sharing payments.

It is a matter of some concern, Mr. Secretary, that in setting aside a considerable sum of money in seven different categories for payments to States, with only one of the categories called "rural community development," that States and the general public will assume none of the money appropriated in the other six categories—one general and five special revenue sharing proposals—can be expended in rural areas. What assurance can you give us that this will not be the case? Is it the intention that funds appropriated under the other revenue sharing proposals be expended in rural areas for benefit of rural residents to their full pro rata share? What share of the total revenue sharing fund do you expect will be spent in rural areas? Can you give us this proportional breakdown as between rural and non-rural areas for the general revenue sharing proposals and for each of the other five special revenue sharing proposals?

Secretary HARDIN. There is no base to assume that funds appropriated in the other six revenue sharing categories would be spent outside rural areas, because of the existence of the rural community development revenue sharing proposal. The design of the other proposals is such that this will not occur. The general revenue sharing formula insures that urban and rural America will share in proportion to their population and general tax revenues. The other revenue sharing proposals are designed to attack functional problems, problems that do not neatly separate into rural and urban components. The urban revenue sharing proposals itself is not contrained to metropolitan areas. Of the urban program alone. $100 million is earmarked for towns outside metropolitan areas.

At this point in time, it is not possible to calculate the share of revenue sharing funds that will eventually reach one area versus another. This will depend upon choices made at the state and local levels regarding the use of these funds.

Why does not Section 201 provide for appropriation of a certain amount or percentage of funds for rural development? Why was not a similar formula as that used in the general revenue sharing proposal included here? What purposes would be served by the percentage of taxable income formula in general revenue sharing? Would not a similar dedication of national revenue resources to rural development and bringing about a more uniform distribution of the population serve the same purposes in the rural revenue sharing measure?

Secretary Hardin. The general revenue sharing proposal is the center piece of the revenue sharing system. As such, its funds can be used for the full array of governmental activities. The appropriation for general revenue sharing is tied to taxable income for a couple of reasons. (1) To insure continuity of funding thereby permitting states and localities to plan over a broader time horizon. (2) To make the appropriation responsive to the state and level of the economy, particularly in a way that is progressively related to national income trends. The special revenue sharing proposals play a significantly different role. They are designed to enable states and localities to more effectively deal with current socio-economic issues. These issues will change with time. So also will their degree of need. To the extent our efforts are successful in attracting industry to rural areas and creating viable communities of tomorrow, there will be a lessened order of need for public intervention. For these and other reasons, it would seem advantageous to avoid tying special revenue sharing efforts to a given share of taxable income.

Considering all of the general and special revenue sharing proposals as a whole, can you give us an estimate of what proportion of the total of all of the payments might be spent in or for the benefit of rural areas, inside and outside of standard metropolitan statistical areas? In open county and in cities and towns of less than 25,000 population?

Secretary Hardin. The revenue sharing proposals are designed to give State and local governments greater flexibility in the allocation of public resources. As a result, it is not possible to estimate what proportion of the total will be spent within particular areas. This decision will rest with State and local units of government.

You testified at the Hearing that you had faith that City dominated State legislatures would appropriate to rural areas a fair share of the benefits of general revenue sharing and of the special revenue sharing funds. Is there any specific additional assurance in any of the five special revenue sharing proposals, other than the rural community development proposal? The President in the message on rural revenue sharing speaks of a national goal to reverse the flight of people from the land. are there any provisions in general revenue sharing or any of the five special revenue sharing proposals to make certain that this goal will be reflected in State and County expenditures of the funds received or is chief reliance in this regard on the rural revenue sharing proposal?

Secretary **Connally**. We have asked the Department of Agriculture to supply the answers to this question.

Secretary **Hardin**. Each of the revenue sharing proposals has provisions either in terms of formulas or guidelines that provide rural areas will receive their fair share. All the revenue sharing proposals would contribute to a better distribution of population. The key provisions which assure that this goal will be reflected in State plans are those which provide for equitable distribution of the funds and those which provide for local participation in deciding how the funds will be spent.

The general revenue sharing proposal ear-marks a fixed percentage of taxable personal income for the annual payments to States while the rural revenue sharing proposal does not designate any particular amount or fixed percentage. Why the difference between the two proposals?

Secretary **Connally**. The two proposals have quite different purposes. General revenue sharing seeks to truly federalize a portion of the broad-based and equitable federal income tax as a state-local revenue source. As such, funds made available under this program would be spent for whatever governmental activities the states or localities determine to be essential. Automatically tying the annual appropriation for general revenue sharing to the personal income tax base serves to insure this federalization of the national income tax.

While general revenue sharing recognizes the national interest in providing a sound fiscal base for our entire federal system, the special revenue sharing proposals recognize that there are broad areas of national concern where states and localities should be allowed the freedom to solve pressing problems in their own way. Among the six special revenue sharing purposes, however, it is important to allow for national debate on priorities and on the relative merits of one purpose over another. Our sense of priorities will change over time, and appropriations will respond in kind. If each special revenue sharing program were tied to the tax base, achievement of any reordering of preferences would be difficult.

REVERSAL OF MIGRATION

From the standpoint of rural development and of the President's aim to try to reverse the migration trend of population out of rural areas toward overcrowded areas would it be desirable for Congress to direct that a particular specified share of each of the general and special revenue sharing proposals, except urban development, be expended to improve facilities, services and opportunities in rural areas as defined in the rural revenue sharing proposal?

Secretary **Hardin**. We do not recommend that such a Congressional directive be included.

Taking into account the President's expressed interest in reversing the trend of population migration to overcrowded areas, what would be your position relative to a requirement that more than a proportionate share based upon existing population, of general revenue sharing funds be used for rural development to supplement the funds provided in the rural revenue sharing proposal? In order to attract additional population to rural areas, would you favor increasing the proportion share going to rural areas of the other special revenue sharing proposals?

Secretary HARDIN. We do not have any recommendation for changes in either the general, or other special revenue sharing proposals.

With reference to the rules, regulations, and standards which may be prescribed by the Secretary of Agriculture under Section 306, please indicate, for each of the purposes listed in Section 2, what types or nature or form such rules, regulations, and standards might take. What standards will you use to determine whether funds were spent "to stem out migration from rural areas"? Are the words "necessary to terminate" as a purpose in sec. 2 binding upon your actions under Section 306?

Secretary HARDIN. Further opportunity for study by the Department would be necessary for us to state precisely the type, nature, or form of rules, regulations, or standards which might be issued under section 306 with respect to the various purposes of the Act specified in section 2. The type, nature, or form of regulations would not be circumscribed by the "necessary to terminate" language in section 2 referred to in your question, but would depend on a determination of what would be "necessary to carry out the purposes and conditions of the Act."

Would you care to make a statement for the Record of the Hearing concerning the results of recent Gallup Polls indicating that a majority of American people would rather live in rural areas? If they want to live in rural areas, why don't they more there now, even in the absence of a special rural revenue sharing program?

Secretary HARDING. A deficiency of the polls now available on residential preferences is that they do not indicate how intensely the views are held or whether persons now living in different type of area from the one preferred have any intention or prospects of changing their type of residence. At present, the median income of families living in metropolitan areas is one-fourth greater than that of families in nonmetropolitan areas. This is a substantial difference, and probably the best indicator of why most people who live in large cities are dissatisfied with them do not move to rural areas or small towns.

Please give us for the Record your estimate of the total rural population, and the total urban population coinciding with the definitions of the two areas in the rural revenue sharing proposals?

Secretary HARDIN. As of 1970, the population of areas in the U.S. defined as rural in the revenue sharing proposal was about 72.6 million, and that of the rest of the Nation (by inference urban) was 130.6 million.

Do you have in mind any particular figure as a target for the proportion of National population that would be living in rural areas in some year in the future—say the year 1990–2000? If not, what is your suggestion for a realistic and proper goal for the nation in this regard?

Secretary HARDIN. The nonmetropolitan areas of the United States retained only 60 percent of their potential population increase during the 1960's. This was an improvement of the 1950's, however. A reasonable goal by 1990 or 2000 would be for the nonmetropolitan areas of today to retain the full equivalent of their natural increase. This might mean about 28 percent of the U.S. population living in such areas by the year 2000.

What are the implications of the stated goals in Section 2, of the proposed legislation for the rural revenue sharing proposal to the future *relative populations of the several States? Distribution of population within the several states? Please provide appropriate tabular material for inclusion in the Record.*

Secretary Hardin. The implications of the stated goals of the rural revenue sharing proposals bear more directly on the distribution of population *within* states than *between*. Differential effects at the state level occur only because of within state differences in population composition. The effect within states will, of course, depend upon the way in which State and local governments chose to spend the funds. In general, the effect will be one of enhancing the opportunity of rural residents to gain access to improved community services and facilities, secure better employment opportunities, etc.

If the rural revenue sharing proposal results in changing the migration patterns over the next 10 years, what effects do you foresee that this will have upon the 1980 population of cities larger than 5 million? Cities between one and five million? Will there be a net drop in such population or will they continue to increase but a much slower rate than rural counties in the interior of the nation? Under such conditions would you raise current census estimates of future population of cities between 2,500 and 25,000?

Secretary Hardin. It is simply not possible to estimate the effects of the rural revenue sharing proposals on rural-urban migration. Please refer to the response to the following question.

POPULATION REDISTRIBUTION

Please provide for the Hearing Record your best estimate of the net effect that adoption of the rural revenue population of the several Bureau of the Census regions of the United States, by say the year 1980? By the year 2000? By the year 2020?

Secretary Hardin. The effect on rural population of adoption of the rural revenue sharing proposal would depend heavily on how the States elected to use the supplemental monies received, and this cannot be predicted. There are 13 States whose share of the proposed U.S. increase in rural community development funds over the present base amounts is more than double the State's share of the U.S. population in rural areas. These States are heavily concentrated in the Midwest (Indiana, Iowa, Kansas, Minnesota, and Missouri), and the West (Arizona, Hawaii, Idaho, New Mexico, and Wyoming). The others are Florida, Louisiana, and Maine. They presumably would have the greatest relative potential for affecting rural population trends under the rural revenue sharing proposal.

Could you suggest to the Subcommittee a reasonable goal for population redistribution within the several States and as among States to carry out the President's policy. Would you expect this to result from the back-to-the-country movement of already established urban families or of their children who are born in metropolitan areas? Or could the entire goal you suggest be reached by a simple steming the flight from the land?

Secretary Hardin. The Commission on Population Growth and the American Future, which was recommended by the President and established by the Congress last year, is now in the midst of its deliberations and research on this question. I do not believe it would be well to pre-

empt their responsibilites and recommendations in this area. They will make their final report next March. We would expect that additional population growth of nonmetropolitan areas would come from a com-
bination of greater retention of indigenous population, return move-
ment of rural natives from the cities, and some in-movement of urban natives—just as is presently the case.

*In terms of reaching the President's goal of reversing the flow of population migration, what target or goal have you established, or think desirable to be established, as the annual net migration from met-
ropolitan to rural areas? How many people would be involved in reaching such a goal as compared with the number of urban to rural migrants in a recent year?*

Secretary HARDIN. As with the previous question, we would prefer not to impose specific population target goals prior to the report of the Commission on Population Growth and the American Future. The Federal data-gathering facilities do not at present tell us how many people currently move to or from metro and nonmetro areas. We will have such tabulations eventually from the 1970 Census for the period 1965–70.

How much total expenditure do you estimate would be required over the next 10 years for rural community development in order to reverse the migration pattern of the past 20 years? How much would the States involved have to add to the rural revenue sharing payments they may expect to receive in order to bring this about?

Secretary HARDIN. As phrased, the question is not answerable. Migration patterns are changing constantly and in some areas have reversed in the past few years. Because the conditions of the questions, including the techniques to be used, the patterns to be attained, the population configurations to be achieved, among other things, are open to conjecture, no specific answer would be appropriate.

If, for example, no new construction were allowed in metropolitan areas, it would seem reasonable to assume that our increasing population would settle increasingly in rural areas. The public cost of such a policy would be only the cost of enforcement. But the private cost would include enormous increases in prices of existing housing, etc., in metropolitan areas, and presumably, increasing inconveniences for the population. Thus, this would not seem to be a feasible alternative.

What alternatives are feasible, and those most feasible, is a matter of public debate and controversy not susceptible to single answers.

Assuming a 100,000,000 increase in national population during the next given number of years, how many of these would it be realistic to expect would be residents, at age 21, of now rural areas?

Secretary HARDIN. The answer to this question depends in part on the speed with which another 100 million population is acquired. When populations grow rapidly they have larger proportions under age 21. If the growth is spaced over a longer period the proportion under 21 is less. Let us assume that 100 million additional U.S. growth would come by 2010, which would correspond with the Census Bureau's D Series projection. That population would have about 81 million more persons at age 21 and over than we now have. It might be realistic for ⅓ of them to reside in areas that are now rural.

In section 101(c)(2)(G) of the proposed legislation, encouragement of migration to rural areas is listed as a proper purpose and activity.

Please clarify for the Hearing Record. Could this cover migration grants to encourage and enable the residents of, for example, New York City to move to a rural area in another State, for example, Wyoming? Is it your recommendation that Congress enact legislation that would bring about a net plus inflow of people and economic opportunities into rural areas as you have defined them? Should this be established in your opinion as a high priority national policy? Should this take the form of something like the Employment Act of 1974?

Secretary HARDIN. The proposed legislation would not exclude use of funds for purposes of migration assistance. If the State and local governments receiving these funds chose to spend in ways that would facilitate interstate or intrastate migration, the funds could be so spent. Given the favorable cost effectiveness record of pilot migration assistance programs administered by the Department of Labor, it would not be surprising to see some states use a portion of their funds for this purpose.

With regard to your question concerning a legislative recommendation, it does not seem feasible to dictate such a goal for all rural areas. There are many areas that lack the resource base needed to achieve this objective. There are many other areas that have consciously rejected these objectives.

FEDERAL INSTALLATIONS

In consultation with Secretary Romney, please prepare and supply for the Record of the Hearing, your best estimate of the dollar value of present Federal government installations that are located (a) in rural areas, and (b) in non-rural areas, as defined in the rural revenue sharing proposal. What is the annual payroll and local purchoses expenditures in each area?

Secretary HARDIN. Tangible assets of the Nation were estimated at about $2.8 trillion in 1967 and increasing at an approximate annual rate of 3.5 percent. Federal ownership of these assets was estimated at about 3 percent of the total. Distribution of the Federal share between rural and non-rural areas is difficult to estimate and even if accurate figures could be attained, they are probably not too meaningful because of installations leased by the Federal government and Federal contracts let to non-government organizations. The distribution of total Federal expenditures between rural and non-rural areas probably presents a better picture of the effects of Federal programs on rural development.

As reported in the first title IX report in fiscal year 1970, 68.7 percent of the population lived in urban areas (SMSA's) and 31.3 percent lived in rural areas (non-SMSA's). Total Federal expenditures, however, were distributed 67.9 percent urban and 32.1 percent rural, a disproportionate amount going to the urban areas. Larger metropolitan areas (1,000,000+population) receive a higher amount of Federal expenditures per capita than smaller SMSA's. Conversely, the more rural counties received less per capitol than the more urban non-SMSA counties.

The impact of the Federal budget, which compares in size to about one-fifth of GNP, can be very significant to the growth of particular industries and regions and it may be desirable to encourage shifts in certain Federal programs to stimulate a more balanced regional growth.

RESEARCH AND DEVELOPMENT

Please provide for the Record of the Hearing your best estimate of the annual volume of Federal research and development expenditures, including those of the Department of Defense, in rural as compared to urban areas, as defined in the rural revenue sharing proposal? May rural revenue sharing funds be utilized to influence such decisions through grants, buildings, or other means?

Secretary **Hardin**. Federal research and development (R & D) expenditures averaged $16.3 billion annually from 1965 through 1970, more than double the $8.1 billion in 1960, and nearly six times the $2.7 billion spent in 1955. R & D expenditures are distributed among the programs of almost all the major federal agencies. However, the Department of Defense, Atomic Energy Commission, National Institute of Health, National Institute of Mental Health, and National Aeronautics and Space Administration account for approximately 85 percent of Federal R & D expenditures.

About one-half of total Federal outlay for R & D is spent by the Department of Defense. The major portion is for high cost strategies and tactical weapon systems. Probably most of these R & D projects, because of their technical nature and need for highly skilled labor, are located in SMSA areas. The same analogy would apply for other Federal R & D projects as nearly all are highly technical and require elaborate installations.

Most Federal R & D funds will probably continue to be expended in SMSA's. Revenue sharing funds probably could be used more efficiently in encouraging geographical shifts in certain Federal procurement or service projects rather than R & D projects.

RURAL INDUSTRIALIZATION

Under the rural revenue sharing proposal, will the Department of Agriculture provide direct assistance within States to assist them in their newly finance efforts toward rural industrialization? What is the nature of any particular programs that you have underway, or contemplate initiation, if the rural revenue sharing proposal is adopted?

Secretary **Hardin**. The Department will continue to provide assistance which directly or indirectly aids rural industrialization efforts. Types of programs underway which would continue include (but not limited to) research, feasibility studies, demonstration programs, housing and community facility programs, education programs, soil and water conservation assistance, electrification and telephone services, land and forest use information and technical assistance.

Taking section 204 and paragraph 101(c)(2)(R) of the legislation proposed to implement the rural revenue sharing proposal, in conjunction with each other, what are the range of permissible types of expenditures for rural revenue sharing funds "to provide direct incentives to industry to create jobs in rural areas" that the Secretary of Agriculture might prescribe?

General Counsel of Economics Development Administration William W. Blount. In the opinion of EDA, the permissible types of expenditures of rural revenue sharing funds under the legislative provision "to provide incentives to industry to create jobs" would include any type of expenditure sanctioned by the State, including at the broadest range, direct grants to business, as well as loans and loan guarantees, interest rate subsidies, and lease guaranties.

How many industrial establishments are now located in rural areas, as defined in the revenue sharing proposal, and how many do you project as the goal of the new program? What is the increase of industrial payrolls in rural areas as compared with the current situation?

Secretary Hardin. We do not now have data in sufficient detail to answer this question.

How much "private investment in industrial, agricultural, and commercial enterprises" as specified in Section 2 of the proposed legislation do you expect would be required "to stem outmigration from rural areas," as specified in the statement of purposes in Section 2?

Secretary Hardin. The amount of private investment required to stem the outmigration from rural areas has not been estimated. It would depend on, among other things, the mix of public and private investment, the kind of investment to be made, the locations in which investment is to be made, the number of jobs to be created and the income to be returned to each worker, and capital-labor mix. These variables generally are not susceptible to prior estimation.

Because the growth of the U.S. national economy generally is great enough to absorb increases in the labor force without reduced wages or unemployment, there is no expectation that Rural Development would increase the capital investment requirements for the Nation as a whole over what would otherwise be invested. An effective program would, however, alter the location of the investment and thus might alter the amount of investment in any specific area.

Will the new unit, you are establishing in your office to reactivate the functions of the former Rural Community Development Service, have responsibility for influencing the geographic distribution of funds under the many research and development programs throughout the Executive Branch? Some of the witnesses at the subcommittee hearings have laid great stress on the special importance to rural economic growth of location of Federal research and development grants and facilities in influencing the geographic distribution of new industrial plants, commercial enterprises, and consequent population trends; the subcommittee would appreciate having your evaluation of this suggestion and your view concerning the value of research and development in colleges and universities located in rural areas.

Secretary Hardin. The duties of the new unit do not include authority for influencing the geographic distribution of funds.

We have not evaluated the importance to rural economic growth of locating Federal research grants in any detail. On the basis of casual observation, it would appear that such facilities would have "spin-off" effects and tend to attract other industries to the area.

One of the features that characterize those rural areas which grew rapidly during the 1960's was the presence of a State college or university. Education is a "growth" industry. Furthermore, the location of research activities in rural areas would provide the researcher with an opportunity to better understand rural people and their problems.

How does the desirability of, on the one hand, encouraging city people to move to open country and very small villages well removed from current metropolitan areas compare with, on the other hand, the desirabiilty of encouraging the expansion of existing suburbs further and further into immediately surrounding rural areas? Should multi-county rural development districts conform to commuting patterns and commuting radius around a central location?

Secretary HARDIN. This Administration has the goal of helping families live where they prefer to live. It appears that many families prefer to avoid metropolitan congestion. To the extent that this helps develop underdeveloped rural areas, it is our policy to help people and families realize their preferences.

The form this development takes will be determined by those who take part. Whether it is urban or suburban or entirely rural depends on the circumstances of each area and the preferences of the families who live there. It is our objective to help these families plan and create their communities in the most efficient and effective way. Frequently this involves the development of multi-county districts that more or less conform to commuting patterns.

In the definition of rural areas used in the rural revenue sharing proposal, please explain your purpose and reasons for:

(1) omitting rural parts of metropolitan counties, parishes, and townships?

(2) including non-metropolitan cities up to 49,999 population?

(3) using 100 persons for 640 acres as the line of demarcation within metropolitan areas between urban and rural? Why not 200 or 50?

The concept of rural America is not, and cannot be, precise. Decisions on where to place the geographical boundary between urban and rural residents must, to some extent, be arbitrary. Generally, for purposes of defining rural areas in relation to our rural development objectives, we combine the smaller cities with the open countryside; we want such cities to have growth potential and to be conveniently distinguishable from other cities in respect to readily available social and economic data. The cities in 50,000 or lower limit of SMSA cities, served these purposes. The rural parts of metropolitan counties were included in the urban areas partly to simplify the classification problem and partly as a convenience in relation to available data. No injustices are anticipated by these procedures. We must view the rural community revenue sharing proposal within the context of all revenue sharing proposals. When considering both rural and urban community revenue sharing proposals no community is ineligible for assistance from one or the other. In fact there is some unavoidable overlap in this eligibility. The inclusion of the population density factor of 100 or less persons per square mile partly accounts for this overlap, as does availability of urban community revenue sharing funds in cities below 50 thousand in population. An important objective in rural development is to expand job opportunities in the less densely populated areas. The 100 persons per square mile seemed to be a useful demarkation.

Please provide for the Hearing Record your reasons for including cities up to 50,000 population in your definition of urban areas? How do the problems of incorporated places change as they increase in size *from 2500 people, the current Census definition, to 50,000, your proposed new definition? How many incorporated places do you estimate there to be in the United States of the following size groups: (a) 2500 to 7,499; (b) 7,500 to 14,999; (c) 15,000 to 24,999; (d) 25,000 to 34,999; and (e) 35,000 to 49,999?*

Secretary **Hardin**. We believe effective economic development of rural areas should be based on the concept of promoting development of multi-county areas that have strong internal economic ties. This will frequently take the form of developing jobs, specialized medical facilities, etc., in the larger towns and cities of each of these areas, within commuting range for the residents of the outlying areas

As we noted in the response to question 29, there is no direct reference to a population of 50,000 in the proposed legislation. Communities of 50,000 are, however, included in SMSA's and are outside the scope of the rural revenue sharing proposal unless they are in counties with fewer than 100 persons per square mile. Clearly, the differences between a small city of 40,000 and one of 60,000 are only differences of degree, as are the differences between a village of 2,000 and one of 4,000. The towns of less than 50,000, however, commonly serve a hinterland which is essentially made up of small towns and open country and is comparatively small. As communities increase above the 50,000 level, the areas they serve become larger and their problems become, more and more, those of urban America. With the minor adjustments noted in the proposed legislation, Standard Metropolitan Statistical Areas seem to us to be a practical point at which to draw the line on the continuum between rural and urban areas.

The question concerns incorporated phase both in and outside urbanized areas. We do not have data for the size classes requested. We assume that your interest in number of places by size is primarily in places outside urbanized areas. The number of places outside of urbanized areas in 1970 was distributed as follows by size:

2,500 to 4,999	1,874
5,000 to 9,999	1,115
10,000 to 24,999	647
25,000 to 49,999	204

We do not know precisely how many of them are incorporated, except to say that the proportion probably ranges from nearly 4/5's of the places of less than 5,000 population to almost all of those of more than 25,000 people.

Would the rural revenue sharing proposal allow that all, or a certain percentage, of the funds be expended in growth centers providing employment to rural people even if these were larger than 60,000 population? Please comment on your position concerning the growth center concept in rural community development planning?

Secretary **Hardin**. The rural revenue sharing proposal requires that these monies be spent for the direct benefit of rural people. It is not likely that expenditures in cities greater than 50,000 could satisfy these criteria.

We prefer the growth area concept which gives more stress on the entire area. It recognizes that there are certain basic services—education, health, welfare, manpower aids, etc., which should be available to all irrespective of where they live. Too often it is asserted that "growth centers" need at least 250,000 people. Such a concept would rule out most of America's Heartland, an area which we believe has growth potential.

Please provide for the Record, your explanation of the definition of "rural population." As now defined and used by the United States Census Bureau "rural population" are people who live in open country and villages, towns, and cities up to 2500 population. While your definition of "rural area" goes up to 50,000—your definition of "rural population" which refers to the Census appears to go up to only 2500. Please explain or clarify.

Secretary **HARDIN**. The definition of "rural areas" in the proposed Rural Community Development Revenue Sharing Act of 1971 makes no reference to communities of 50,000. Rural areas are defined as "any county, parish or similar political subdivision, including all area within the territorial confines thereof, which either has a population density of less than one hundred persons per square mile or is not included within a Standard Metropolitan Statistical Area." Standard Metropolitan Statistical Areas commonly—but not always—contain a city of 50,000 or more, the surrounding county, and contiguous counties which are socially and economically integrated with the city.

The Bureau of the Census presents data both on an SMSA/non-SMSA basis and on a rural-urban basis. These definitions have been adopted because they are convenient for many analytical purposes. Often, they will not correspond exactly with the areas defined by particular legislation, but valid conclusions still can be drawn from them.

Additional portions of these questions and answers on Special Revenue Sharing for Rural Community Development, may be found throughout the six volumes of hearings held by the subcommittee. These documents are available through the Committee on Agriculture and Forestry.

As an additional part of the subcommittee's oversight responsibility, it was determined that it would be worthwhile if it were determined how each of the Executive agencies viewed the special problems of the countryside, and how these problems were being approached.

Senator Herman E. Talmadge, chairman of the Committee on Agriculture and Forestry, along with Senator Hubert H. Humphrey, chairman of the Subcommittee on Rural Development, and Senator George McGovern, chairman of the Subcommittee on Agricultural Credit and Rural Electrification, sent letters to each of the agencies eliciting detailed responses.

The Department of Health, Education, and Welfare reply by Secretary Elliot Richardson gave good evidence that that agency is in the process of formulating a policy for the more effective delivery of services to rural areas. The Secretary's letter is reproduced here:

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., January 24, 1972.

Hon. HERMAN E. TALMADGE,
Chairman, Committee on Agriculture and Forestry, U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: The following brief analyses of the impact of and implications for the Department of Health, Education, and Welfare programs and policies in rural areas are in response to your letter of November 22, which was also signed by Senators Humphrey and McGovern.

I. AVAILABILITY AND QUALITY OF MEDICAL CARE

It would be both impractical and inefficient to have all health manpower equally distributed over the country. What is feasible, however, is a policy geared toward convenient points of access to comprehensive health care systems designed to serve publics regardless of their places of residence. In short, the Federal government should work toward equity of access to medical services of high quality for all persons wherever they live. Such a goal should be multi-faceted. It should be geared toward the augmentation and efficient utilization of appropriate facilities, planning mechanisms, and manpower. At a minimum it should do the following:

> Provide ready access to needed health care for all residents and visitors, including local access to primary and emergency care.
>
> Mesh efficiently with the systems of neighboring and other communities to care for the problems that require services no single small community can maintain efficiently.
>
> Make fullest use of technology, especially in the enhancement of communications, to permit optimal utilization of scarce health manpower and facility resources.
>
> Expand indigenous health care capabilities through training in self-help, first aid, practical nursing, midwifery, and other types of health care assistance for paid, volunteer and in-family service.
>
> Transport health workers and patients whose needs cannot be satisfied by their own resources.

The following are a number of specific approaches which should continue to be explored in an attempt to meet the above goal:

1. The stimulation and support of organized, systematic area-wide arrangements to achieve rural-urban equity of access to health care within a medical service area, using communication and transportation links to join remote medical care units with larger medical centers.

> (a) The organizational arrangements might take the form of a consortium, bringing the various medical care units, hospitals, nursing homes, and other health care elements throughout the area into an umbrella-type health care system. Satellite family centers, neighborhood health centers, and migrant health centers would be among the types of rural medical care units to be involved.
>
> Whatever the organization arrangement, the purpose would be to bring together a comprehensive range of medical services to be provided to local residents through readily accessible local entry points distributed equitably throughout the area.
>
> (b) The organization might take the form of a health maintenance type organization or HMO with a fixed contract fee paid in advance by or on behalf of individual and family subscribers. Medicare, Medicaid, or the proposed family health insurance plan could make up all or part of this contract fee.

(c) The service capacity of scarce health professionals in the area-wide system could be stretched through the use of technology, new types of health workers, and/or teams assigned by the National Health Service Corps wherever local health manpower is deficient.

(d) Area health education centers, established in medically underserved areas, could contribute to services within the organized area-wide system and at the same time provide a favorable environment to encourage students to practice in such areas in the future.

(e) The loan forgiveness features in the recently passed Nurse Training Act and the Health Manpower Act would provide a further incentive that would help medically underserved areas attract young professionals at the time they are ready to enter practice. The availability of an organized system within which to practice would help to assure their remaining in previously underserved areas.

A second major recommendation would look upon the consumer as the "greatest untapped manpower resource" in the health field. It would provide:

2. Support of a health education program to bring rural consumer's resources into play. It would rely chiefly on the existing structure of the USDA's Extension Service to inform and motivate rural people to learn how and what they can accomplish by self-help without, or prior to calling on, the formal health care delivery system. It would also provide rural consumers better understanding of the changing health care delivery system, how to obtain access to it most effectively and efficiently, and how to participate in its development so that better rural-urban balance in access to health care could be achieved.

The third recommendation recognizes the inter-relatedness of health with economic and social factors. It would make available:

3. Assistance for rural health purposes concomitant with assistance for education, job expansion, and general economic and social development. Thus, the quality of life in rural communities could be enhanced for all rural residents, health care would be better understood and have greater support, and relatively isolated communities would become more attractive to health and other professionals.

II. EQUALIZATION OF EDUCATIONAL OPPORTUNITY

Federal programs in education do not in general specifically set aside funds for rural areas. Payments under many legislative authorities do reflect criteria of need, such as poverty, however, and rural areas usually receive a more than proportionate share under such formulas. The case for developing new rural initiatives, therefore, hinges upon inadequacies and gaps in the present structure of programs which result from a failure to recognize the special problems in providing for the education of rural children.

Part of the rural problem is the disproportionate share of the poor living in rural areas, the incidence of poverty being nearly double the level found within metropolitan areas. The association between economic disadvantage and poor educational performance has been documented in numerous studies, including the Coleman report, which found students in metropolitan areas superior in academic achievement to students in rural areas in all parts of the country. In lieu of direct nationwide measures of educationally disadvantaged, the approach of Title I of ESEA, which basis payments on the number of low income children, is perhaps our best formula alternative. The distribution of Title I funds to rural communities has been somewhat increased recently by the funding of special payments to rural and urban areas having high concentrations of disadvantaged families. The formula, as required by Congress, is being thoroughly reviewed by the Office of Education and the impact on rural areas will be an important consideration in any modifications.

There are a few programs which directly provide for the special educational problems of rural children. Approximately $65 million is appropriated for migrant education under a special provision of Title I of ESEA. Another $11 million was appropriated for urban-rural school development under the Educational and Personnel Act, Title V, Part D, and $25 million was obligated for Vocational Education Facilities under the Appalachian Regional Development Act.

Rural education problems which do not receive specific Federal attention under present programs include the limited education services generally available to sparsely populated areas; the availability of quality educational personnel; and the substantial disparities between the average urban-rural per pupil tax base.

Rural communities, because of their sparse population, frequently find it costly to provide their students with a wide range of course offerings, or with specially trained educational personnel.

For example, a consequence of the limited curriculum in small rural schools has been an emphasis on academic courses or on vocational training in agriculture. It can be proven that vocational education for agricultural employment is inappropriate for the present employment market.

There are a number of ways in which the Office of Education could encourage the expanded scope and increased efficiency of services provided to rural areas, including an additional emphasis on: (1) a partial subsidy for area-wide planning and for the costs of providing certain inputs, such as expensive equipment or educational specialists which are shared among districts; (2) financial aid for regional centers which provide teacher training and curriculum development; and (3) assistance in the expanded application of educational technology, particularly in the area of instructional television.

A second problem is to upgrade the quality of teachers in rural areas. Instructional staff in rural areas generally have lower formal academic training and are less informed about new instructional methods, etc., than their metropolitan counterparts. Hard data is somewhat limited but an NEA study of one teacher school, for example, found that 83% were staffed by teachers having less than four years of college training, compared to a national average of 33%. There are a number of causes of the poor competitive positions of rural districts in the teacher market, not all of which are financial; including isolation; the availability of cultural activities; and the general level of living conditions. A Federal subsidy of special incentive pay for teaching in rural areas nevertheless deserves investigation, although further study of the costs and the impact of such an incentive is required.

School expenditures per pupil in most states are strongly associated with the local tax base per pupil. Intrastate inequities stemming from reliance on local financing have recently been highlighted by the Serrano decision of the California Supreme Court. Inequities in rural districts are particularly severe because the low average income is coupled with a below average concentration of industrial property. The Office of Education is currently examining alternatives to the present system of educational finance, and these would have important implications for improving the financial position of rural areas.

There are several more general measures which could foster development of innovation in rural education and which could assist in assuring adequate recognition of the rural issue. A rural unit might be established within the Office of Education to coordinate and develop programs affecting rural education. Models and demonstration centers could be funded in rural areas to develop, demonstrate and disseminate promising education practices particularly suited for the special educational problems in rural communities. Both of these measures will be given consideration.

III. IMPROVEMENT AND EXPANSION OF WELFARE AND FAMILY ASSISTANCE

The President's welfare reform proposal as embodied in H.R. 1 can be expected to have four major impacts on rural America. The first major impact is the transfer of additional funds to many of the rural poor who are presently receiving assistance, and funds for those families headed by working or unemployed fathers, who are ineligible for assistance under present state and federal guidelines. The second impact of reform will be fiscal relief to the States which will enable them to supplement the proposed benefit levels or release these funds for tax reductions, or for other programs to meet the needs of their citizens. The impact of rehabilitation and training and the broader impact of welfare reform on the rural communities' economic and social structure are more difficult to assess.

Approximately ninety percent of the rural families on farms reside in the north central and southern regions of the United States. In the non-farm areas, excluding metropolitan centers, approximately 77 percent of the eligible families reside in these two regions. The majority of rural poor families reside in the South and 42 percent of all families eligible for assistance under H.R. 1 reside in this region. In the aged and disabled categories approximately 55 percent of all eligible persons under H.R. 1 rural and non-rural, reside in the southern and north central regions.*

The South is expected to increase its percentage share of federal dollars for public assistance from 29 percent under current law to 35 percent if H.R. 1 is enacted. In many southern states the benefit levels of recipients will rise sharply, reflecting the lower level of current benefit payments in the South. Maximum AFDC benefit payments in the South for a family of four currently range from a low of $60 per month in Mississippi to a high of $261 per month in Virginia. In all, an additional $2.3 billion will be directed to the poor in all categories of assistance in the South. The additional funds transferred to eligible recipients under H.R. 1 will not be as great in the

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*Estimates are based on a projection of the March 1969 Current Population Survey and except for figures on eligible families in farm areas, can be found directly in the Report on H.R. 1 of the House Committee on Ways and Means. Payment maximums for a family of four can be found in the *Trend Report*, NCSS Report A–4 (70).

north central regions, where most of the benefit payments under present law exceed the minimum benefit levels under welfare reform.

Fiscal savings will mean the following to states in these two regions:

> The north central region should experience total state savings of $254 million during fiscal year 1973.
>
> The South should have savings of about $653 million.

For example, Florida's welfare expenditures, as estimated for fiscal year 1973 under current law, will drop from $173.5 million to $9.2 million under H.R. 1, a savings of $164.3 million.

These savings could be used either to supplement welfare payments, reduce taxes or direct funds into other public services. The impact of H.R. 1 on the individual lives of recipients and on the economic and social structure of the communities in which recipients live is more difficult to predict.

Poor persons have a high consumption/savings ratio. The additional $2.3 billion going directly to recipients, in addition to funds for childcare services and work training, less the additional taxes which should be required to support these programs, could create an increased demand in rural areas for goods and services and an increase in wage levels in service industries depending on the level of employment at the time.

The law provides penalties for refusal to work, but there is the inherent possibility that work requirements and associated penalties will serve to lock people more tightly into low paying jobs. It is hoped that rehabilitation services, and training will serve as a counter force to raise the skill levels of individuals so that their efforts can be directed into more economically rewarding work.

It cannot be overemphasized how little is known about the changes that will take place in rural areas. Most of the comments have been restricted to the South because the largest proportion of the rural poor are located in this region and the increase in benefits is greatest for these persons. The only certain finding is that many poor people in rural America are going to have more money than they have presently to provide the basic necessities of life.

IV. RELATIVE COST-EFFECTIVENESS OF HEALTH AND EDUCATION EXPENDITURES VERSUS DIRECT JOB EXPANSION

Two points should be emphasized:

Health, education and job expansion are so highly interdependent that it is impossible to separate them into three separate strategies. One example is the shift in rural industry away from agriculture. While the rural population has remained roughly constant between 1960 and 1970, the agricultural population has been steadily declining. Unfortunately, this shift has not meant that increased rural industrialization has absorbed those displaced from the farms.

The social infrastructure in most rural areas is simply not adequate to attract and support industrialization. Due to the low average educational level of the rural population, industries which have moved to rural areas have had to bring in much of their work force. Those individuals who are hired from the local work force are inadequately trained and, therefore, receive lower paying jobs. This problem is further compounded by inadequate or inappropriate health and educational services.

For example, vocational education programs are often not quickly responsive to changes in rural labor markets. While data indicate that job vacancies in agricultural employment are declining and market demands are shifting to other forms of industry, most vocational education still emphasizes agricultural and home making courses. Consequently, if a program of rural development achieved a sharp increase in the demand for rural labor through industrialization and job expansion, the need to supply appropriate labor through the vocational education system would necessitate large changes in the educational system.

Poor health can also be a factor complicating job expansion strategies. Although the evidence is not conclusive, poor health appears to have a significant effect upon the educational achievement of children. Malnutrition can significantly impair the productivity of a laborer. Data indicate that in rural areas, especially in the South, a large proportion of the children and adults suffer from disease, intestinal parasites, and malnutrition. Any effort to expand the demand for rural labor would require a concurrent health strategy to upgrade the health levels of that particular area of the country.

The rural areas of the United States are not at all homogenous in terms of health problems, educational level, or labor market characteristics. Consequently, no single strategy in these policy areas will meet rural needs.

Clear cut tradeoffs cannot be made on a Federal scale between health and education expenditures and job development, since there is a vast diversity between different areas of the country in terms of quality of health and education services, and the potential effectiveness of job development.

Some rural areas of the country do not at present or will not lend themselves to certain kinds of industrial development or job expansion, and can be expected to continue to experience large scale outmigration. An appropriate strategy for these areas would entail improved health and educational services to the migrants in order to ease their transition into a new environment and labor market. Although these areas are not suitable for industrialization, other occupational opportunities such as creation of recreational facilities and tourism might be appropriate. Suitable vocational training and health services are needed to prepare local people for these types of employment.

Other rural areas of the country can and will expand industrially, and should experience increasing population density. For these areas, emphasis should be placed on vocational preparation, health and educational systems to create a social infrastructure which can sustain the growth of the population. Concomitantly, job expansion and land development should be emphasized so that the rise in population will parallel the growth of industry and not result in accelerating unemployment.

Therefore, any cost-effectiveness tradeoff between health, education, and job expansion must be unique to the specific needs of the population of a given rural area and dependent on the resources which already exist in that area.

Given the interdependence of health, educational level and job expansion, and the non-homogeneity of the rural areas, one is led to the conclusion that the most effective Federal strategy for promoting rural development would utilize a non-categorical and decentralized program, emphasizing regional and local planning and program implementation, so that initiatives in education, health services, and job development would be responsive to local problems. This is the primary emphasis of the Administration's revenue sharing proposals for rural community development.

In addition, analytic tools must be developed to study rural economic characteristics. Among such tools which should be given priority are the following:

—an improved definition of functional unemployment and the job search process in rural labor markets;

—a measure of the variance in costs of living between urban and rural areas; and

—more complete demographic data on rural inhabitants.

Without such tools, any cost-effectiveness analysis, even if developed on a regional basis, will be inadequate.

I hope that the above will be useful in preparation for future yield hearings of the Subcommittees. I will be happy to supply any further clarification that might be necessary.

With kindest regards,

Sincerely,

ELLIOT L. RICHARDSON, *Secretary.*

DEPARTMENT OF DEFENSE

The subcommittee found the reply of the Department of Defense to be most interesting, showing a wide disparity between urban and rural America in terms of the awarding of defense contracts:

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., December 22, 1971.

Hon. HERMAN E. TALMADGE,
Chairman, Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of 22 November 1971 requesting information with respect to the current and prospective location of Defense installations, contracts, and subcontracts in rural areas.

Attached are a summary listing by state of FY 1971 DOD contracts awarded to firms in rural and other areas and individual Service listings of installations located in rural areas. Information on subcontract awards is not available as subcontract data is not collected under our procurement reporting system.

The Service listings include only major installations. The Army's 46 installations approximate thirty-seven percent of the total major Army installations that are located in the United States. The Navy's 39 installations represent twenty-two percent of its larger and more important installations. The Air Force lists 41 installations, or thirty-six percent of the total major Air Force installations.

Current plans do not envision establishment of any additional installations within the foreseeable future. Therefore, lists of planned future installations and their impact on rural labor force needs and needed rural energy and power supply for the years 1980 and 2000 cannot be provided. Further, it is not possible to project the extent of rural area contract awards in 1980 and 2000 as there are too many imponderables involved.

I trust that the above information is responsive to your needs.

Sincerely,

Enclosures.

J. M. **Malloy**,
Deputy Assistant Secretary of Defense (Procurement).

DEPARTMENT OF DEFENSE NET VALUE OF PRIME CONTRACTS AWARDED TO CONTRACTORS IN RURAL AND OTHER AREAS, BY STATE—FISCAL YEAR 1971 [1]

[Amounts in thousands]

State	Total	Rural areas [2]		Other areas [2]	
		Amount	Percent	Amount	Percent
Total United States	$29,434,043	$4,422,923	15.0	$25,011,120	85.0
Alabama	293,483	102,655	35.0	190,828	65.0
Alaska	118,687	118,687	100.0	0	0
Arizona	307,964	113,752	36.9	194,212	63.1
Arkansas	77,826	65,605	84.3	12,221	15.7
California	5,353,686	360,938	6.7	4,992,748	93.3
Colorado	169,491	7,383	4.4	162,108	95.6
Connecticut	1,203,571	1,034	.1	1,202,537	99.9
Delaware	52,060	30,391	58.4	21,669	41.6
District of Columbia	320,917	0	0	320,917	100.0
Florida	853,237	292,186	34.2	561,051	65.8
Georgia	750,430	62,325	8.3	688,105	91.7
Hawaii	123,044	8,765	7.1	114,279	92.9
Idaho	59,763	58,932	98.6	831	1.4
Illinois	545,868	90,390	16.6	455,478	83.4
Indiana	800,583	90,594	11.3	709,989	88.7
Iowa	163,633	68,535	41.9	95,098	58.1
Kansas	218,356	114,601	52.5	103,755	47.5
Kentucky	79,820	54,851	68.7	24,969	31.3
Louisiana	273,792	77,942	28.5	195,850	71.5
Maine	42,893	41,172	96.0	1,721	4.0
Maryland	730,776	15,576	2.1	715,200	97.9
Massachusetts	1,292,433	11,139	.9	1,281,294	99.1
Michigan	460,189	50,843	11.0	409,346	89.0
Minnesota	409,454	32,707	8.0	376,747	92.0
Mississippi	483,648	453,939	93.9	29,709	6.1
Missouri	905,101	41,141	4.5	863,960	95.5
Montana	51,630	51,630	100.0	0	0
Nebraska	85,083	55,649	65.4	29,434	34.6
Nevada	16,842	16,842	100.0	0	0
New Hampshire	87,051	4,498	5.2	82,553	94.8
New Jersey	914,901	71,931	7.9	842,970	92.1
New Mexico	96,617	58,311	60.4	38,306	39.6
New York	3,388,819	136,507	4.0	3,252,312	96.0
North Carolina	431,455	187,735	43.5	243,720	56.5
North Dakota	62,490	62,490	100.0	0	0
Ohio	988,611	64,356	6.5	924,255	93.5
Oklahoma	142,667	93,840	65.8	48,827	34.2
Oregon	77,821	37,129	47.7	40,692	52.3
Pennsylvania	1,052,878	89,931	8.5	962,947	91.5
Rhode Island	82,211	0	0	82,211	100.0
South Carolina	118,961	37,250	31.3	81,711	68.7
South Dakota	17,263	15,273	88.5	1,990	11.5
Tennessee	349,248	231,735	66.4	117,513	33.6
Texas	2,773,866	330,353	11.9	2,443,513	88.1
Utah	136,107	31,712	23.3	104,395	76.7
Vermont	41,990	41,990	100.0	0	0
Virginia	1,322,961	140,498	10.6	1,182,463	89.4
Washington	750,627	66,824	8.9	683,803	91.1
West Virginia	47,088	43,052	91.4	4,036	8.6
Wisconsin	291,221	172,374	59.2	118,847	40.8
Wyoming	14,930	14,930	100.0	0	0

[1] Includes DOD prime contract awards of $10,000 and more.

[2] Rural and other areas distribution based on the 1970 "Census of Population, Number of Inhabitants," published by the U.S. Department of Commerce, Bureau of the Census for each State and the District of Columbia. Distribution was made in accordance with the following definition: Rural includes "counties with a population density less than 100 people per square mile, and all other counties, regardless of population density, which are not included in one of the 247 Standard Metropolitan Statistical Areas (SMSAs) which the U.S. Census Bureau defines around cities of 50,000 or more."

Note: Data on prime contracts do not provide any direct indication as to the State in which the actual production work is done. For the majority of contracts with manufacturers, the data reflect the location of the plant where the product will be finally processed and assembled. If processing or assembly is to be performed in more than one plant of a prime contractor, the location shown is the plant where the largest dollar amount of work will take place. Construction contracts are shown in the State where the construction is to be performed. For purchases from wholesale or other distribution firms, the location is the address of the contractor's place of business. For service contracts, the location is generally the place where the service is performed, but for transportation and communications services the home office address is frequently used. Prime contract data cannot in any way reflect the distribution of the very substantial amount of material and component fabrication and other subcontract work that maybe done outside the State where final assembly or delivery takes place.

HOUSING INVESTIGATION

During 1971, the subcommittee requested that the General Accounting Office conduct an investigation into the housing program of the Farmers Home Administration. The request was made as a result of complaints received by members of the subcommittee that there was favoritism to contractors, suppliers and attorneys in the passing out of these housing contracts.

The GAO investigation, which covered five states, did not reveal that the allegations could be substantiated.

OTHER GAO INVESTIGATIONS

The General Accounting Office conducted two investigations during 1971 which were not requested, but which were relevant to the subcommittee's business.

The first was The Effects of Federal Expenditures on the Economy of Johnson County, Kentucky (B-130515 of Feb. 7, 1972). This study showed that Federal expenditures had not alleviated poverty and unemployment significantly in Johnson County.

This finding is consistent with a report of CPR Research, Inc., in which it was found that the most effective Federal programs for meaningful rural development were centered around rural economic development, rather than strict reliance on more socially oriented grant programs.

The second GAO report was Greater Conservation Benefits Could be Attained Under the Rural Environmental Assistance Program (B-114833 of Feb. 16, 1972).

The report said that "Although significant soil and water conservation benefits have been realized under the (REAP) program, substantial amounts of funds have been spent on practices that have not produced any appreciable conservation benefits, that have stimulated agricultural production, or that are otherwise questionable."

In a rare departure for GAO the report recommended some legislation. A legislative provision enacted in 1938 requires that if a farmer receives cost shares totaling less than $200 a year for carrying out conservation practices on a farm, he be paid an additional nominal amount. The intent of this provision was to provide greater financial assistance to operators of small farms.

GAO concluded, however, "The nominal payments, which range from 40 cents to $14 each and which total about $7 million annually—do not further the objectives of the program and are an administrative burden. The funds could be used to enable thousands of additional farmers to participate in the program."

The GAO recommends that this nominal payment should be deleted by amending the enabling legislation.

OTHER PUBLICATIONS BY THE SUBCOMMITTEE ON RURAL DEVELOPMENT

1. Hearing—Part I on S. 1612, April 23, 1971.
2. Hearings—Part II on 1. Balanced National Growth Policy; 2. National Rural Development Program; 3. S. 1612, the Rural Community Development Revenue Sharing Act of 1971; 4. Reorganization of U.S. Department of Agriculture and Related Agencies, April 29; June 16 and 17, 1971.
3. Hearings—Part III on (Same as Above).
    May 3, 1971—Sioux City, Iowa
    May 4, 1971—Vermillion, South Dakota
    July 8, 1971—Montgomery, Alabama
    July 9, 1971—Tifton, Georgia
4. Hearings—Part IV on S. 2223 and Amendment to S. 1483 (No. 153)—July 23; September 21, 22, 23 & 24, 1971.
5. Hearings—Part V on (Same as 2. and 3. above).
    September 9, 1971—Stillwater, Oklahoma and
    September 10, 1971—Lincoln, Nebraska
6. Hearing—Part VI on S. 1612, dated September 20, 1971.
7. Hearing—Part VII on (Same as 2., 3., and 5. above). Bowling Green, Ohio—December 14, 1971
8. Committee Print, "The People Left Behind"—Four Years Later—A Report on the Effectiveness of Implementation of the Recommendations of the Presidential Commission on Rural Poverty, November 30, 1971.
9. Committee Print, "Small Community Needs"—A Study of Small Community Needs as Related to Federal Housing and Community Development Assistance, Volume 1, June 1970—dated November 30, 1971.
10. The Alma-Bacon County Story—"A Model for Rural America"
11. Committee Print, "Rural Development"—Report on Congressional Activities in 15 Major Categories in the 92d Congress, 1st Session, February 3, 1972.
12. "Guide to Federal Programs for Rural Development".
13. "Raising Venture Capital"
14. S. 2223, a bill to amend the Consolidated Farmers Home Administration Act of 1961, and for other purposes.
15. S. 1612, a bill to establish a revenue-sharing program for rural development.